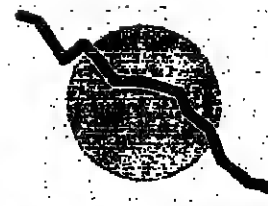


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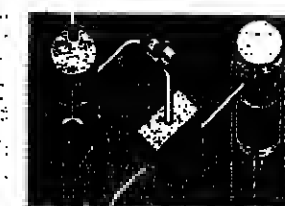
FINANCIAL TIMES



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Modern alchemist
Turning sewage into cash
Page 10



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World Business Newspaper

WEDNESDAY FEBRUARY 22 1995

Fleet Financial in \$3.4bn deal to buy Shawmut

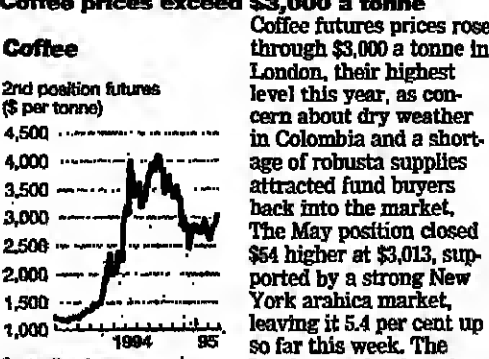
Fleet Financial, the US banking group based in Rhode Island, announced a \$3.4bn all-share acquisition which would catapult it into the ranks of the country's 10 biggest commercial banks. The planned takeover of Shawmut National, based in New England, would be one of the biggest regional banking acquisitions mounted in the US, creating an entity with assets of \$31bn. Page 21; Lex, Page 20; Background, Page 22

Bank governor warns on ERM Bank of England governor Eddie George warned of the "economic risks in seeking to go too far or too fast" towards economic and monetary union in Europe. Page 20; Jobs as key to future of ERM, Page 2

End of financial rand signalled South Africa's Reserve Bank governor Chris Stals said the economic conditions needed to abolish South Africa's two-tier exchange rate were in place and the abolition of the financial rand was now a matter of "political discretion". Page 20 and Lex

NatWest seeks US acquisitions National Westminster Bank of the UK may expand its investment banking operations through acquisition in the US or elsewhere, it said as it disclosed flat operating income and a 4.5 per cent rise in expenses. Page 21; Lex, Page 20

Coffee prices exceed \$3,000 a tonne



16 per cent in the past two weeks, but it is still more than \$1,000 a tonne below last year's peaks. Commodities, Page 29

Germany faces inflationary pressure Inflationary pressures and the risk of higher interest rates are growing in Germany as business confidence rises to peaks not seen since the unification boom of 1991, the Bundesbank says in its latest economic review. Page 20

PolyGram chief attacks piracy Alain Levy, president and chief executive of London-based music and film group PolyGram, said musical piracy was "a serious problem" which had held back the group's growth in the Far East. Page 21

Daiwa cuts staff in Europe Daiwa Europe, London-based subsidiary of Japanese broker Daiwa Securities, cut its staff of some 440 by about 10 per cent, mostly in its London office, after a review and restructuring of its European operations. Page 28

UK opens repo market in gifts The UK Treasury announced that all participants in the British government bond market are to be allowed to borrow and lend bonds. Page 20

Nuclear waste shipment bound for Japan The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave Cherbourg for Japan tomorrow. British Nuclear Fuels won an injunction in France to restrict potential disruption by Greenpeace, the environmental group. Page 6

Indonesia's high-tech projects in trouble Indonesia's minister for research and technology moved several of the country's high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and should be closed if they are not granted export credits. Page 4

Karen quit border strongholds Karen guerrillas, the most powerful opponents of the military regime in Rangoon, withdrew from their last main stronghold on the Thai-Burmese border after an intense Burmese army artillery barrage. Page 6

GRE raises profits and cuts jobs Composite UK insurer Guardian Royal Exchange reported an unexpectedly steep profits rise, but announced 500 job cuts and warned that a more selective approach to risks could trim future premium income. Page 28; Lex, Page 26

World unemployment reaches 30% Thirty per cent of the world's workforce - some 820m people - are unemployed or under-employed, the International Labour Organisation said. Page 4

STOCK MARKET INDICES	
New York: Dow Jones Ind	5,965.32 (+11.77)
NASDAQ Composite	785.83 (-1.14)
Europe and Far East	
FTSE 100	2,897.24 (+4.5)
Nikkei	18,086.25 (+13.77)
US LUNCHTIME RATES	
3-month Treasury Bill	7.50%
Long Bond	7.50%
OTHER RATES	
UK 3-month Interbank	6.5%
UK 10 yr Govt	8.0%
France 10 yr Govt	8.0%
Germany 10 yr Govt	8.0%
NORTH SEA OIL (Argus)	
Brent 15-day	\$16.97 (17.00)

Washington finance package aimed at ending two-month-old crisis \$20bn US aid deal for Mexico

By George Graham in Washington, Leslie Crawford in Mexico City and Stephen Fidler in London

The US and Mexico yesterday signed an accord detailing the terms and conditions of a \$20bn US financing package aimed at lifting Mexico out of a two-month-old financial crisis.

The accord - made up of four separate agreements - means the US will be able to provide Mexico with up to \$10bn in stages between now and the end of June, with \$3bn immediately available.

A further \$10bn would be available from July onwards, subject to Mexico's meeting its economic and other commitments. A US statement said it was expected that the second \$10bn would be undrawn but available for contingencies "including any related to the banking system".

The agreement - signed in Washington by Mr Robert Rubin, the US treasury secretary, and Mr Guillermo Ortiz, Mexico's finance minister - was described as "both a financial transaction and an act of diplomacy" by Mr Frank Newman, the US deputy treasury secretary.

However, the initial financial market reaction to the announcement was negative, with investors complaining that it contained little new. The peso weakened to 5.575 to the dollar in the early afternoon - against 5.565 on Monday's close - having been significantly higher in earlier trading. Mexico City's stock market continued to decline, falling 3.74 per cent by midday. The package - part of a \$50bn credit

line which also includes finance from the International Monetary Fund and foreign central banks - has three elements.

It comprises short-term currency swaps of less than one year; medium-term currency swaps of three to five years, and loan guarantees - of up to 10 years - to allow Mexico to restructure its short-term dollar debts with longer-term instruments. The first issue of Mexican bonds guaranteed by the US government is expected in the second quarter.

Some of the funds would go to reduce further the amount of tesobonos - short-term dollar-denominated government debt - which has already fallen this year from almost \$30bn to less than \$20bn, Mexico's finance ministry said.

The US security for the credits will be oil revenues from the exports by the state petroleum monopoly, Pemex. Pemex will instruct foreign customers to pay for oil into an account at a US commercial bank, that will transfer funds to a Mexican central bank account at the New York Federal Reserve Bank.

So long as Mexico is current on its obligations, the money will be freely available for use by the central bank. But if Mexico fails to repay the US, the US Treasury will be entitled to set off its claims against the Bank of Mexico account.

The Mexican finance ministry emphasised the accord gave the US no say over Mexican oil export policy. Mr Ortiz said the oil conditions were no different to those in previous financings.



Treasury Secretary Robert Rubin (left) shakes hands with Mexican finance minister Guillermo Ortiz.

Mexico will initially pay interest charges based on 91-day US Treasury Bill rates plus a risk premium of 2.25 to 3.75 percentage points. The guarantees are to be priced on a similar basis. Fees would rise with greater use of the

financing to encourage Mexico to seek regular private sources of finance, US officials said.

The central bank on Monday announced a 10 percentage point rise in interest rates to over 47 per cent. Economists said this

was part of an attempt to build up the country's depleted foreign exchange reserves, since the financing package could not be used to finance the current account deficit but only to restructure debt.

Police search EU commissioner's home

By Emma Tucker in Brussels

Van Miert denies involvement in Belgian government bribery scandal

Belgian police have searched the offices and home of Mr Karel Van Miert, the European commissioner responsible for competition policy and one of Belgium's best-known politicians.

They were looking for evidence in connection with a bribery scandal that has shocked the fragile four-party coalition held together by Mr Jean-Luc Dehaene, the Christian Democrat prime minister, and focused unwelcome attention on two of the country's most prominent international figures.

Mr Willy Claes, secretary-general of Nato, has also been named in connection with the alleged bribery affair. Mr Claes

was Belgium's economic affairs minister in 1988 when BFR50m (\$1.6m) was allegedly paid to Socialist politicians by Agusta, the Italian defence manufacturer, to secure a government contract for 46 helicopters.

Mr Claes has denied any involvement and played down the matter at a regular meeting of Nato ambassadors yesterday.

Before the Belgian authorities can insist on questioning him, his diplomatic immunity would have to be lifted. It was reported yesterday that he would consult his lawyers before deciding

whether to open his offices and homes to a search.

Mr Van Miert said he had nothing to hide and denied any wrongdoing.

He chose not to exercise his diplomatic immunity as a European commissioner and invited police to search his office.

They removed a few addresses and extracts of bank accounts. From his home they took manuscripts covering party business when he was party president. Mr Van Miert has been a member of the Commission since 1989. Yesterday he said he had vacated the post of Socialist party president by the time the money was

alleged to have been paid. "I have understood that if there really were payments or if money was paid, it would have been in 1989," he told a radio interviewer.

Mr Jacques Santer, the Commission president, said he had confidence in Mr Van Miert.

Last night, lawyers representing Mr Etienne Mangé - head of the post office and arrested earlier this week in relation to the affair - said Mr Van Miert did

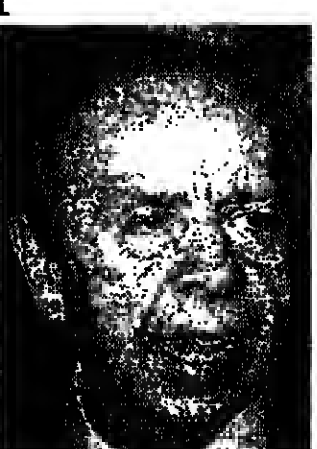
not know about the exchanges of money taking place.

Belgium has been shocked by the Agusta affair which last year prompted the resignation of three government ministers.

Discomfort for the government was increased yesterday with the news that a Belgian health inspector who was investigating a so-called animal hormone mafia was shot dead late on Monday.

Bank of Italy raises rates to prop up weakening lira

By Robert Graham in Rome



Lamberto Dini: his forthcoming mini-budget will be affected

The Bank of Italy, the central bank, was last night obliged to raise the discount rate by 0.75 of a percentage point to 8.25 per cent to prop up an ever-weakening lira.

The Bank of Italy's move followed a day in which the lira had fallen to historic lows against all major currencies with the exception of the dollar and sterling.

The interest rates rise, the first since August 11, will have an immediate impact on the mini-budget of Mr Lamberto Dini, the prime minister, which is in the final stages of preparation and due to be announced by Friday.

Economists estimate that each percentage point rate rise in the discount rate adds an extra L15,000bn (\$9.4bn) to the annual interest rate bill on Italy's huge mountain of public debt. The need for the mini-budget of L20,000bn to hold down the 1995 budget deficit to 8 per cent of GDP results largely from the extra cost of debt service from the previous discount rate rise.

Yesterday the lira fell to L1,095 against the DM from Monday's L1,083. Over the past week the

lira has fallen 3.3 per cent against the German currency and at least three separate interventions by the Bank of Italy have failed to prevent the decline.

The markets have reacted negatively to continuing uncertainties about political support for the government's budgetary plans, which are not yet fully known. The lira has also been affected by a knock-on effect

from the peso crisis. But yesterday a new element emerged in the form of fears about a return of inflation. Preliminary figures for consumer prices in Italy's major cities for February showed a jump in the annualised rate of inflation from 3.8 per cent to 4.3 per cent.

Although these figures always differ slightly from those released subsequently by Istat, the state statistics institute, the differences are never great.

The sharp rise in February, especially notable in the city of Bologna, was attributed to increases in the cost of utilities and transport. But imported inflation caused by a weakening lira also contributed to the rise.

The Bank of Italy's defensive move last night came without warning. But Mr Antonio Fazio, the governor, has frequently warned that he would be obliged to raise the discount rate to defend the currency.

Mr Dini has pledged to come up with full details of his budgetary measures by the end of the week.

Bonds, Page 30; Currencies, Page 31; World stocks, Back Page Section Two

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NEWS: EUROPE

Ukraine at odds with IMF over deal

By Matthew Kaminski in Kiev

An International Monetary Fund mission left Kiev yesterday without agreeing a \$1.5bn stand-by agreement because of Ukraine's reluctance to liberalise its export laws.

But an IMF official was "optimistic" that the issue could be resolved in time for Ukraine to mobilise external financing support at a donors' meeting in Paris on March 21. Last autumn Ukraine removed quotas and licences, only to replace them with a cumbersome export registration scheme.

Last month it also proposed to prohibitively tax barter trade and put other goods besides grain on the quota restrictions list.

Unlike Russia, also involved in stand-by talks with the IMF, Ukraine does not have the entrenched oil and gas interests opposed to free exports. The resistance appears to be centred within the ministry of foreign economic relations, headed by Mr Oryk.

In Ukraine, trade restrictions are justified by the need to prevent the country falling foul of anti-dumping rules and to curtail capital flight approaching \$15bn via barter trade.

But the export regime undermines Ukraine's efforts to earn hard currency on its own, just when western governments are being asked to cover an external financing gap approaching \$5bn this year.

Mr Anders Aslund, economic adviser to the Ukrainian government, said the proposal to undercut barter trade might slash exports by 30 per cent this year since enterprises lack liquidity to trade by other means.

Mr Andreas Gummich, vice president at Deutsche Bank Research, which five years ago said Ukraine had the most potential of any Soviet republic, also noted the depressed country - once a large consumer goods supplier - is losing market shares in central European and former Soviet states by the day.

He added that export liberalisation is needed to boost foreign direct investment above the paltry \$366.9m and raise the ratio of exports to GDP above 10 per cent, which will improve the country's ability to import.

The other crucial issue, the budget, was provisionally approved with the IMF. Ukraine agreed to cut the deficit to 5 per cent of GDP - 4 per cent covered by inflationary means. The revenue side was set early this year and expenditures came broadly in line last week.

But a final version must clear the cabinet, replete with recalcitrant ministers, and pass parliament. Some western economists remain sceptical on whether the spending needs of Ukraine's vested lobbies, mainly agriculture, can be checked.

Parliament last week approved a 10m tonne state grain order and earlier released 25,000bn karbovanets (\$214m) from the budget after two months of monetary rectitude, heightening concern that sector-specific emissions could again stoke inflation.

"Ukraine is at a critical juncture on these two issues," a western economist said.

"The decision must come from the top. Trade is the toughest. It's really a question of who has President Kuchma's ear."

UK central bank governor doubts whether economic convergence can last

George sees jobs as key to Emu

By Peter Norman, Economics Editor

Mr Eddie George, the governor of the Bank of England, yesterday spelled out in detail his concerns that high unemployment in some European Union countries could lead to political and economic disharmony in a continent that is aspiring to establish economic and monetary union.

Although the governor's "Churchill Memorial Lecture" at the JF Pescatore Foundation in Luxembourg was cautiously phrased, he did not conceal his scepticism about a rapid move to Emu.

In particular, he expressed doubt over whether economic convergence, the pre-condition for monetary union, could be sustained in view of the high levels of structural unemployment in parts of the Union.

He noted that among the larger EU countries, unemployment

rates at the end of last year ranged from 6 per cent in the western part of Germany through 9 per cent in the UK to respectively 11½ per cent and 12 per cent in France and Italy and 23 per cent in Spain.

In part, Europe's unemployment

problem was cyclical although it was impossible to know how much in any particular country. This alone, he said, made the Maastricht treaty's convergence criteria, which specify low inflation, deficit and debt levels for aspirants to Emu, more difficult to interpret. But much of the present unemployment was "more fundamental" and "unlikely to be eroded by the present cyclical expansion".

Mr George said it was possible that there would be signs of "real convergence" between some countries that would reduce the risk of tensions in a monetary union. But because prospects were so uncertain, it was difficult to know whether "nominal convergence" as defined by the Maastricht criteria would be sustainable, even if those criteria were rigorously applied.

"Given the uncertainty, it cannot be excluded that resolu-

'We should be confident that convergence is real and that it is sustainable before moving forward'

tion of the problem of wide differences in structural unemployment levels will ultimately require adjustments in relative real wages," Mr George said. "And given the real-world inflexibility of nominal wages, it cannot be ruled out that there will be a continuing need for exchange rate adjustment to help to bring that about."

Mr George said he was not suggesting that the Maastricht criteria should be changed. But it was important that "we should be confident that convergence is real and that it is sustainable before moving forward."

If the decision to go ahead with a monetary union were "fudged", the costs could be substantial. Mr George's caution about a rush to Emu is shared by some other EU central bankers, notably Mr Hans Eichel, the Bundesbank president.

The governor also pointed out last night that the planned

European central bank would have to set its monetary policy to maintain price stability in the monetary union as a whole. In the absence of exchange rate changes, there would be only two adjustment mechanisms to avoid long-term stagnation and unemployment in parts of the union that had not converged in a sustainable way.

These would be migration from areas of high unemployment to those of lower unemployment or larger fiscal transfers from countries with lower unemployment to countries where unemployment was higher. "Neither of these possibilities is particularly attractive," he said.

Outlining the grim outcome of a premature union, he said: "Either long-term stagnation in some countries or the rapid expansion of these adjustment mechanisms could become a source of political as well as economic disharmony."

G7 seeks right road to superhighway

By Emma Tucker in Brussels and Alan Cane in London

Business leaders, politicians and technology manufacturers are meeting in Brussels this weekend to discuss the global information superhighway. The talks will be accompanied by a display from the industry, showing the technology that will make it possible.

The information superhighway is a communications network capable of delivering a broad range of information-based services - text, graphics, video - to the home and office in an interactive manner.

While the meeting will be "a bit of a jamboree" according to one minister, it is also seen as an opportunity to make the public more aware of the possibilities springing from the impending explosion in on-line services.

Hosted by the European Commission, it will bring together ministers and business leaders from the Group of Seven industrialised countries. The speakers will include Mr Al Gore, US vice president, who is identified with the US commitment to establishing a national superhighway.

It is an advisory meeting rather than one which will end in binding resolutions. The aim, however, is to ensure that Europe, Japan, the US and Canada are working from the same blueprint for a global information society.



European Commission president Jacques Santer speaking yesterday about the superhighway

Mr Jacques Santer, EC president, warned yesterday however that the European Union - where basic telecoms services will not be fully liberalised until 1998 - had to ensure that it did not fall behind its competitors: "Europeans must be the drivers, designers, the constructors, content provid-

ers, repeaters and financiers of the Global Information Society and not technology 'hitchhikers' in the wrong galaxy," he said.

Mr Martin Bangemann, the industry commissioner, has led a dogged campaign to speed up the liberalisation of Europe's telecoms services and infra-

structures which remain largely under state control.

Yesterday, Mr Santer kept up the pressure. He said the decision to liberalise EU telecoms and infrastructure in 1998 was a "necessary but not sufficient step".

"I hope the G7 conference will highlight the other

domains which are necessary to be completed in order to achieve the objective of a global information society," said Mr Santer.

Many in Brussels fear, however, that the meeting will amount to little more than a showcase for private industry's new products. They complain it will not tackle the difficult issues essential to a common approach to the information superhighway such as the interconnection of systems, the application of rules to prevent anti-competitive behaviour and the sensitive areas of privacy and security.

There are concerns, for example, that free trade, deregulation and competition are not sufficient in themselves to deal with difficult issues such as education in the new technologies and the danger of a gap between the developed and developing countries.

Neither the politicians nor the industrialists are underestimating the difficulties, however. Mr Lucio Stanca, chairman of IBM Europe, warned this week that an unprecedented level of partnership between the public and private sector will be required if the benefits of a true information society are to be realised.

Mr Ian Taylor, UK information technology minister, said he hoped the discussions would concentrate on how to use superhighways to benefit business and the community.

Kinkel urges EU to bury its doubts

By Michael Lindemann in Bonn

Germany's governing coalition yesterday failed again to reach agreement on how to subsidise the loss-making coal industry, writes Judy Dempsey in Berlin. It is divided over whether the DM7bn (\$4.5bn) in subsidies next year can be raised through savings from the budget or from an energy tax. The coalition also failed to agree on a proposal to reduce the tax burden for families, which the opposition Social Democratic party was yesterday quick to criticise. Ms Ingrid Matthäus-Maler, SPD deputy parliamentary leader, said the minimum tax-free income proposed by the government for poor people was too low and the government had still not set out its proposals for assisting poor families with children.

Mr Theo Waigel, finance minister, wants to raise the tax-free minimum income to DM12,095 for single people and DM24,191 for married couples.

EU an active common foreign policy was to allow majority voting on foreign policy issues - anathema to the British government.

In a two-page statement Mr Kinkel also demanded greater powers for the European parliament, a body which the UK has resolutely tried to keep as ineffectual as possible. "We cannot act as if the institutions and mechanisms designed for six member states [in 1957] will function just as well with 15 or more," Mr Kinkel deliberately avoided

the clear-cut language used by Mr Wolfgang Schäuble, the deputy leader of Chancellor Helmut Kohl's Christian Democratic Union who presented a landmark paper on the future of the EU last year, but his analysis reinforces Germany's determination to breathe new life into the process of European integration.

"We cannot allow the slowest wagon to determine the speed of the whole convoy," Mr Kinkel said, echoing words used by Mr Schäuble last September when he urged an inner core of five EU members to push ahead with monetary union so that the integration of Europe did not lose its momentum.

His call for further development of Europe amounts to a scarcely veiled attack on the French, who have hitherto resisted transferring significant powers to the new body.

"When crime syndicates are driving along the autobahn the village cop on his bicycle will always be on the losing side," he said.

Mr Kinkel said European companies could only match international competitors if further barriers were removed between the EU's 15 member states. "The debate is about Europe as a business environment," he said.

However, the prerequisite for any kind of prosperity is peace, he added, arguing that the only way to give the

agenda for next year's inter-governmental conference (IGC) intended to update the Maastricht treaty.

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However, the prerequisite for any kind of prosperity is peace, he added, arguing that the only way to give the

EUROPEAN NEWS DIGEST

Irish Steel seeks rescue package

The Irish government is to seek European Commission approval for a £500m (\$77m) rescue plan for Irish Steel, the government's loss-making Cork-based steel company, it announced yesterday.

However, the British steel industry has said it will take the issue to the European Court and the British Department of Trade and Industry is understood to be monitoring the development. However, Irish officials expect Brussels to take a sympathetic view of the rescue package, when it is discussed at a council of ministers meeting in April.

Mr Richard Bruton, the Irish enterprise and employment minister, said the government had given formal endorsement of the rescue plan and approved the company selling shares to a foreign partner as part of the package. Talks are under way with Riva of Italy and North Star of the US. The package includes the provision of a £500m grant and £100m in loan guarantees. Irish Steel has made successive losses. The rescue plan, drawn up by the new chairman, Mr Pat Dineen, envisages putting the company back into profit by 1997. The company has already won union backing for labour restructuring. John Murray Brown, Dublin

Bosnia arms embargo 'broken'

The Moslem-led Bosnian army is believed to have received air drops of weapons in flagrant violation of the UN arms embargo, UN officials and diplomats said yesterday. On the nights between February 10 and 12, UN observers in north-eastern Bosnia spotted the flights, including what appeared to be a C-130, a large cargo aircraft, escorted by a fighter jet to Tuzla, the second biggest Bosnian enclave. UN officials said they believed the weapons were dropped by parachute - a technique used mostly by US, UK and French troops. In an another sign of possible outside involvement, US jets were the only ones monitoring airspace at the time. Nato did not report any violations of Bosnian airspace. A UN no-fly zone over Bosnia went into force in October 1992. Since then, more than 5,000 violations by all sides have been reported. The latest incident has sparked another row between the UN and Nato. UN officials, speaking on condition of anonymity, said Nato was trying to cover-up the illicit flights. Nato, on the other hand, has accused the UN of inaccurate reporting. Laura Silber, Belgrade

Nato begins exercise in Norway

Exercise "Strong Resolve", Nato's first important northern flank military manoeuvre since the end of the cold war, has begun in Norway's Trondheim region, with 50,000 multinational soldiers, 375 aircraft and up to 90 allied and Norwegian ships. The manoeuvres are the first to be launched in Norway since the Nato command headquarters was moved from Oslo to High Wycombe in Britain last year, which prompted fears in Norway that it would be overlooked under the new regime. According to officials, the object of the Strong Resolve exercise is for joint forces from 12 Nato countries to practise all elements of modern operations, including air defence, and amphibious, naval and ground support. In Trondheim, the Strong Resolve "war game" pits "White Land", the enemy, against "Green Land" in which White Land is seeking to gain control over Green Land's resources. Green Land calls for UN and Nato support. On March 1 US, Dutch and British main amphibious landings will be staged, with the exercise being wound up by March 18. Before being reorganised, Nato staged three exercises every two years but has cut back to two exercises, alternating between one small and one large, every two years. Karen Fosell, Oslo

Hungarian privatisation chief

The Hungarian government has nominated Mr Tamas Suchman, a prominent Socialist member of parliament, as privatisation minister, ending weeks of wrangling over the new post within the Socialist-Liberal coalition. The Free Democrats, the junior coalition partner, said they did not support Mr Suchman's appointment but had agreed to it to reduce tensions within the government. The creation of the post - which comes without a ministry - was the main reason for the resignation last month of Mr Laszlo Bekesi, the reformist finance minister, who said privatisation should remain the responsibility of his ministry. The Free Democrats had held out for a politically independent, English-speaking candidate with international business experience. Mr Suchman, a 40-year-old lawyer and banker who has been a Socialist MP since 1990, comes to the post from Budapest Bank, a large commercial bank, where he served under Mr Lajos Bokros, who is due to replace Mr Bekesi as finance minister on March 1. Virginia Marsh, Budapest

Polish rate rise attacked

Mr Grzegorz Kolodko, Poland's foreign minister, yesterday criticised the decision of the National Bank of Poland (NBP), the central bank, to increase basic interest rates for the first time in three years. Mr Kolodko said the move, which brought the key rediscount rate up from 26 per cent to 31 per cent, would harm investment and hurt the stock market. Yesterday the exchange's main WIG indicator fell by 4.9 per cent. Ms Hanna Gronkiewicz-Waltz, the central bank chairman, said on Monday that an unexpectedly high 3.9 per cent inflation rate in January meant interest rates had to be increased to encourage saving. Christopher Bobinski, Poznan

Mafia murder trial opens

The trial opened yesterday of 41 people accused of being involved in the assassination of Mr Giovanni Falcone, the leading anti-mafia judge, along with his wife and three bodyguards near Palermo in May 1992. Among those in the dock are Salvatore ("Totò") Riina, the acknowledged boss of Cosa Nostra, the umbrella organisation of the Sicilian mafia, who is alleged to have ordered the killing. The murder of Mr Falcone, by detonating a huge remote controlled explosive device under his car as it was leaving Palermo airport, marked a turning point in the state's fight against the mafia. This fight was further emphasised yesterday by the arrest in Catania of Mr Giovanni Cannizzo, a businessman alleged to have been chief banker for the Sicilian mafia. Robert Graham, Rome

ECONOMIC WATCH

Richest and poorest EU regions

Twelve regions of the 15 European Union states have a GDP per capita of less than half the EU average, Eurostat reported yesterday. Based on 1992 data, the EU statistical office calculates that the regions in Greece or Portugal reach the EU average and only one does in Spain, the Balearics. Five east German states are also under half the EU average. Seven regions are more than one-and-a-half times the EU average: Hamburg (199), Brussels (174), Darmstadt (174), the Paris region (169), Vienna (166), Bavaria (167) and Bremen (155). Eurostat also reported yesterday that industrial production in the EU rose by a seasonally adjusted 0.3 per cent in the period September to November 1994 compared with the previous three months. The strongest growth was in Germany (0.7 per cent), the UK (0.1) and France (0.4). Portugal (-0.8), Denmark (-1.2), Greece (-2.1) and Italy (-2.2) suffered a decline in industrial production. Yesterday, France reported that industrial production rose ahead of expectations by 0.8 per cent in December, driven by a 0.9 per cent increase in manufacturing output. The jump in manufacturing production was down compared with the increase in the previous month of 3.3 per cent, but represented an increase of 10.8 per cent for 1994 year-on-year compared with 1993. Also yesterday it was reported that Sweden's industrial production rose 1.8 per cent in December from November and 15.7 per cent year-on-year. Consumer prices in Sweden rose 0.7 per cent in January and were up 2.9 per cent in the 12 months to January. Switzerland's trade surplus rose to SF686.4m (\$341.4m) in January from a revised SF764.4m surplus in December.

French electricity plan heats up EU debate

France has provoked concern over competition in a liberalised energy market, report FT writers

Debate over the liberalisation of the European electricity market intensified yesterday with the publication of a study claiming that French proposals would inhibit the development of competition in the rest of the Union.

A report from National Economic Research Associates says France's proposal to create a national body to buy and sell all electricity and pass it on to distributors, allowing competition only between power producers, is at odds with the basic principles of Community law.

"Adopting the single buyer model would make it more difficult to achieve any transition to a competitive system at a later date," the report concludes. It could also "allow discrimination in favour of national suppliers or of the single buyer's own generation interests which is contrary to the objectives of the single market."

The report was commis-

sioned by a group of UK electricity producers, including National Power and PowerGen. It comes just weeks before the publication of results from a separate inquiry by the European Commission, which for more than two years has been trying to win a compromise from member states over liberalising the market.

Brussels last year commissioned the inquiry, due out early next month, into whether the French proposal would offer similar benefits to its own plans to allow power companies access to other countries' transmission systems. Access to the transmission networks would have to be negotiated by companies on an individual basis, but would give customers a choice of power supplier.

The commission is also investigating whether the two systems could run in tandem. The UK report found that they were fundamentally incompatible.

Britain, which has one of the most competitive electricity industries in the world, has campaigned strongly in favour of Brussels' proposals.

The commission has also been backed by Germany, despite growing concern from industry there, particularly the

companies, leaving the national company with less profitable consumers.

The issue is of particular concern in Italy where Enel, the state-owned utility, is about to be privatised. Enel dominates transmission and distribution in Italy and is

responsible for 80 per cent of electricity production. Within the past three months, there has been a change in the route Italy is likely to take to a liberalised market.

Under a compromise forged last year by the Berlusconi government, Enel would have split its production activities from the rest of the group and sold part of its generating capacity within three years of privatisation. A new public

authority would have taken control of "despatching" - regulating the transmission of electricity produced or imported into Italy.

Professor Alberto Clò, industry minister in the "technocratic" government which last month succeeded the Berlusconi administration, argues that adopting competition in supply and generation, as in the UK, could mean Enel would not be privatised for three to five years.

Prof Clò wants a quick sale followed by careful regulation of competition in electricity generation. The change of approach has been criticised by free-marketisers, in Italy and Brussels, but the new minister, an expert on the economy of the energy industry, claims the English experience indicates that indiscriminate competition could lead to increased tariffs and problems with security of supply.

Meanwhile, Electricité de France, the French electricity

gas industry, that negotiated access to transmission systems will not be based on reciprocity.

Many countries with heavily protected state-owned electricity industries, such as France, argue that allowing third-party access to networks could raise the danger that security of supply would be threatened. There are also fears, particularly in Italy, that large energy users might be picked off by foreign

France argues that third-party access to transmission networks could endanger security of supply

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French plan may end row over animals

By Caroline Southey in Brussels

The French presidency of the EU yesterday tabled complex draft proposals on the transport of live animals across the union in a bid to break an 18-month deadlock among agricultural ministers.

Mr Jean Pischler, French agriculture minister, reconvened a full meeting of the 15 ministers yesterday afternoon to discuss the draft in a final attempt to draw compromises from member states.

Initial reactions suggested the proposals had failed to bridge the gap between northern and southern states. A British spokesman said the proposals did not go far enough although they formed the basis for further discussion. "There are too many journeys and they are too long," he said.

Britain and Germany, under pressure from animal welfare activists, have sought a pan-

European limit in the journey time for live animals.

Southern member states, which are large exporters of live animals, expressed reservations about the proposals because the restrictions were too great. "For them the rest periods are too long," a French official said, noting Portugal especially feared curbs because of the long distances from its prime markets.

The French draft introduced the principle for the first time that conditions for transporting live animals should be tailored for three categories of animals.

Under the proposals, unweaned calves, lambs, kids and piglets would be given a two-hour rest period for watering after eight hours' travel. They could then be transported for another seven hours after which they would have to be unloaded and given milk feed. The same pattern could be repeated once the animals had been rested for 12 hours.

Cattle, sheep and goats would have a two-hour rest and he watered after every eight hours up to a limit of 24 hours' transport. The cycle could be repeated if the animals were unloaded for 12 hours. Pigs would be watered but not unloaded, every eight hours up to a limit of 24 hours of transport. This time-period would be extended for pigs travelling in vehicles with air-conditioning and automatic watering equipment.

Mr Franz Fischler, EU agricultural commissioner, who has supported France in its efforts to end the deadlock, said he was prepared to take on board the French proposals.

Officials said Mr Pischler, who has invested a large amount of political capital in trying to find an agreement, was committed to continue talking to ministers until an agreement was found. Mr Ivan Yates, Irish agriculture minister, backed the compromise because the issue was interfering with Irish meat exports.

Tapping case bugs Balladur campaign

The French PM and Pasqua are rattled by phone scandal, writes John Ridding

"This is nothing like Watergate," Mr Edouard Balladur declared angrily yesterday. But the wire-tapping scandal to which he referred has become a serious concern for the French prime minister, compounding a decline in support and threatening his presidential campaign.

The affair, which centres on a complex probe into fraud and political corruption, has dragged the prime minister and Mr Charles Pasqua, his powerful interior minister, into the political firing line. It comes as a series of polls show a narrowing of the prime minister's lead in the race for the Elysée.

Mr Pasqua, the blunt, tough interior minister, is in many ways the opposite of the urbane Mr Balladur. As a result, he brings the prime minister charisma on the campaign trail and delivers right-wing and traditional Gaullist supporters. Now, however, Mr Pasqua's intelligence services have helped push the premier into a political storm.

It was at the request of the police forces under Mr Pasqua, that the prime minister's office granted approval to tape the telephone conversations of Mr Jean-Pierre Maréchal, a Paris psychiatrist and father-in-law of Mr Eric Halphen, one of France's best known anti-corruption judges.

Mr Halphen is heading a

case into alleged corruption at Mr Balladur's Gaullist RPR party, focusing on illicit payments for public housing contracts. Mr Didier Schuller, a local Gaullist politician and one of the suspects in the case, told investigators that Mr Maréchal was offering him FF1m (£120,000) to get his son-in-law to drop the case. The police then tapped Mr Maréchal's telephone, arresting the doctor last December at Charles de Gaulle airport as he accepted a box containing money from Mr Schuller.

The sensitivity of the case is partly related to the political nature of the corruption investigation. Lawyers involved in the so-called "Maréchal-Schuller affair" believe police sympathisers of the RPR party were seeking to discredit Mr Halphen so he would be removed from the case. The investigation into the RPR party would then have been delayed until after the presidential poll to allow for the appointment of a new magistrate. But it is the management and legality of the telephone tapping which has prompted the political drama. Earlier this month, a court dismissed the evidence against Mr Maréchal and ruled the bugging was illegal. But as recently as Sunday, Mr Balladur defended the tapping, claiming that the procedures had been regular and legitimate.

Such claims, however, came



How Le Monde saw it: Mitterrand, left, and Pasqua get their wires crossed to the annoyance of Marianne, symbol of the French republic

under immediate fire. The head of the watchdog committee which monitors telephone tapping stated that, under a 1991 law, emergency bugging procedures in extortion cases are legitimate only if organised crime gangs are involved. Rivals from across the political spectrum weighed in on the attack.

Mr Balladur hastily backtracked. Aides sought to deflect responsibility, claiming they had indicated that an organised gang was behind the alleged extortion attempt. Emergency surveillance procedures were suspended. The

police chief responsible for the operation resigned.

But damage has been done. "The events suggest confusion within the government at best and some pretty murky deeds at worst," said one political commentator. He added that the affair was a particular blow for Mr Balladur because he had strived to remain aloof from a series of corruption scandals which have rocked French business and politics over the past year.

Some observers suggested the arcane nature of the case might limit the political cost and voters might be unmoved. "The French are less puritan

and more pragmatic when it comes to scandals," said an economist.

But political opponents seized on the issue. "It is a serious affair because it reaches right to the prime minister by way of the interior minister," said Mr Henri Emmanuelli, the leader of the Socialist party. The Socialists and the extreme right National Front said Mr Pasqua should resign if he was found responsible for malpractice.

Mr Balladur came to Mr Pasqua's defence. "He is a very good minister who has my confidence," said Mr Balladur. But he added that he would study

all the evidence concerning the case.

The affair has undermined Mr Pasqua's hopes of being appointed to the premiership should Mr Balladur win the election in the spring. It may yet prompt a rift between the prime minister and one of his key allies in the contest.

The French press was forthright. "Balladur: how to get rid of Pasqua," said Libération, the left-wing daily, in a headline.

Describing the issue as an administrative problem, not an affair of state, Mr Balladur counter-attacked. He claimed that an on-going probe into wire-tapping by Elysée officials presented a better comparison with Watergate. Last year, the French judiciary opened an investigation into aides of Socialist President François Mitterrand who are suspected of organising wire-tap surveillance of politicians, journalists and lawyers in the mid-1980s.

In a bizarre twist on Monday, the daily Le Monde reported that officials in Mr Pasqua's office had their telephones tapped before the 1986 general election.

The interior minister, now on the other side of the fence, is seeking to play down the issue. "These are little petty events," he said while attending a campaign rally in Mar-seilles. It is unlikely that Mr Balladur sees it that way.

Spanish court overturns ruling on secret funds

By Tom Burns in Madrid

Spain's supreme court has delivered a blow to Prime Minister Felipe González's government by forcing officials to reveal whether secret interior ministry accounts were used to fund a covert anti-terrorist war fought by mercenary death squads in the mid-1980s.

The decision by three senior Madrid judges will allow further investigation into the "dirty war". Investigating magistrates have already remanded in custody several top former officials in connection with the case.

Mr Alfredo Pérez Rubalcaba, cabinet spokesman, denied yesterday that the supreme court's judgment could

prompt a government crisis and the ruling socialist party, backed by its Basque and Catalan nationalist party allies, resisted an opposition demand for Mr González to answer questions about the issue in parliament today.

The ruling, however, will trouble the administration. The supreme court created a new jurisprudence by ruling that officials are required to give evidence on secret funds payments when an investigating court has reason to believe such funds were used in pursuit of criminal activities.

Officials will no longer be able to cite reasons of state security when refusing to answer court questions on secret payments to GAL. By overruling previous judgments, the supreme

court has placed a potent judicial weapon in the hands of Judge Baltasar Garzón as he investigates the government's alleged connection to GAL, the name given the death squad.

Attempts by Judge Garzón to link

refusal to divulge details over secret funds.

The ruling was contained in the supreme court's rejection of an action brought against Judge Garzón by Mr Rafael Vera, director-general of state

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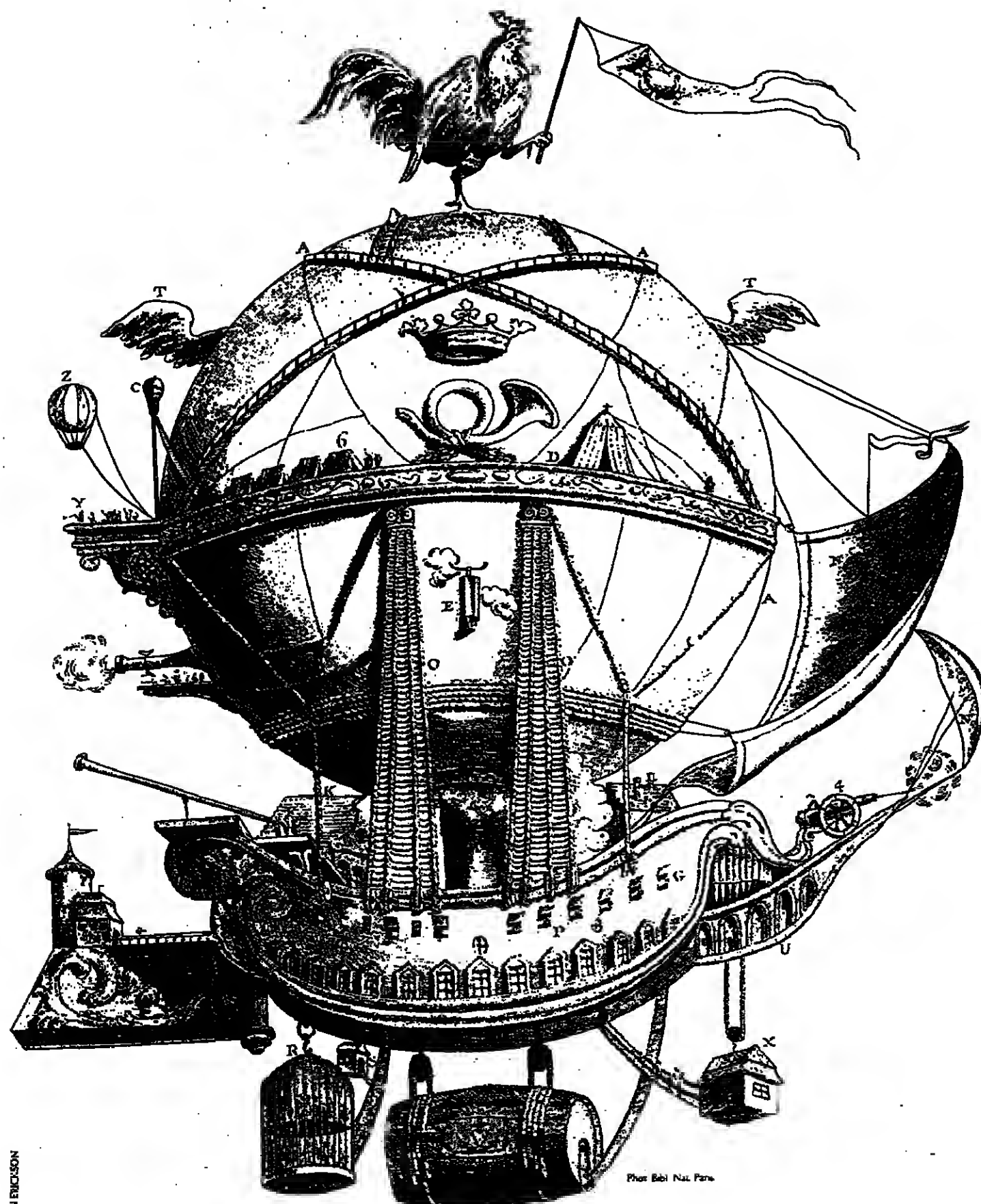
directly the interior ministry to some 26 murders committed by GAL between 1983 and 1987 in south-west France, then a safe haven for Eta, the Basque terrorist organisation, have so far been blocked by the government's

security between 1982 and 1984, after the Judge had ordered the arrest on remand of his former private secretary in January. Mr Vera had alleged that his subordinate was being pressured by the Judge's questioning

into revealing state secrets.

At the end of last week Mr Vera became the latest, and to date most senior, former interior ministry official to be remanded in custody by Judge Garzón. He is accused of having used secret funds to finance GAL and of arranging for Swiss bank accounts to be opened for two former police officers, sentenced in 1981 in connection with the death squads. Mr Vera has refused to discuss secret funds and denied any involvement with GAL.

A former secretary-general of the Basque branch of Mr González's socialist party has also been remanded in connection with the case.



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NEWS: INTERNATIONAL

Uncertain impact of financial rand's demise

At frequent intervals over the past year, expectations of the imminent scrapping of South Africa's two-tier currency system have sent Johannesburg dealers into a frenzy as speculators poured into the market hoping to reap huge short-term profits by second-guessing the government and the Reserve Bank.

Each time, however, they have been disappointed as financial authorities insisted that the time was not yet ripe and have retreated to wait for a more opportune moment to try again.

But as Mr Chris Stals, the Governor of the Reserve Bank, noted at a media briefing yesterday, given the government's explicit commitment to scrap the currency, at some stage the speculators are going to strike lucky.

More notably, Mr Stals's statement that, as far as he was concerned, the economic preconditions were now in place to get rid of the investment currency, gave further impetus to the belief that that time is imminent.

In response to his comments, the gap between the financial and commercial rands plunged to a low of 7.2 per cent and there is a widespread expectation in financial markets that the currency's demise will take place soon. "The markets are now expecting it to happen

Mark Suzman reports on the likely effect of removing South Africa's special currency

some time in the next month either before or after the [March 15] budget," says Mr Willie Potgieter, assistant general manager for foreign exchange at Standard Bank.

In making his statement, however, Mr Stals has, in his own words, "passed the buck back to the government." The abolition of the financial rand was, he said, a political decision that should be made by politicians, not central bankers. It is now up to President Nelson Mandela's African National Congress-led administration to determine when to make the move that virtually all economic analysts in and out of the administration agree is necessary if South Africa is to attract the large sums of foreign capital it so desperately needs.

The problem is that, although economists agree that in the long run the decision will prove beneficial to the South African economy, no one is sure of the short-term effects. Although Mr Stals has been talking optimistically of a rise in the value of the rand following the establishment of a single floating currency, most economists believe that its new value will settle somewhere between the former commercial rand and financial rand levels.

Either way, foreign holders of financial rands will be able to net an instant profit on the anticipated currency appreciation, and many are likely to withdraw their money immediately.

The Reserve Bank has long been prepared for the departure of most of the financial rands held in liquid bank

deposits by investors, an amount estimated at about R5.5bn. But while this sum will be easily met by the Bank, which has more than R20bn at its disposal through existing reserves and international credit lines, the danger is that many of the holders of gilts or equities will also depart.

Although no accurate figures exist, Mr Jonathan Garner of the London School of Economics estimates this pool to be between R50bn and R120bn. Some of these investors, who had initially been attracted by the higher returns offered through investment via the financial rand, will almost certainly sell up, but it is impossible to tell how many.

Privately some government officials admit that their research indicates the most likely figure for short-term capital outflows to be between R10bn and R20bn, a sum which they hope would soon be offset by new capital inflows. If the sum proves to be greater than this, however, then the Bank will be forced to raise interest rates sharply, a move which could well cripple the burgeoning economic recovery and prove politically and economically destructive, a possibility which is causing some cold feet in the cabinet.

In the final analysis, however, as Mr Chris Liebenberg, the finance minister, has

repeatedly insisted, the potential benefits of scrapping the currency far outweigh the potential risks. If the cabinet continues to hold out against the move even after the

Reserve Bank has pronounced the economy healthy enough to freely compete for capital in global markets, it will run the risk of damaging its hard won economic credibility.



Stals: It's up to the politicians now

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Reserve Bank has pronounced the economy healthy enough to freely compete for capital in global markets, it will run the risk of damaging its hard won economic credibility.

Joblessness is worst since '30s, says ILO

By Robert Taylor, Employment Editor

Thirty per cent of the world's workforce - some 820m people - are unemployed or under-employed, the highest figure since the Great Depression of the 1930s, according to the International Labour Organisation in its first annual employment report, published today.

"The present situation is both morally and economically irrational. It is creating an enormous waste of resources and deepening human suffering," says Mr Michel Hansenne, director-general of the United Nations agency in an introduction. A full employment commitment would provide a "common vision to inspire action".

"A defeatist attitude on full employment risks becoming a self-serving prophecy," he adds. "The relative neglect of employment issues (as opposed to inflation and industrial productivity) has gone too far."

While the ILO accepts "the maintenance of an open and efficient global economic system" must be the "basic objective" of international action and argues strongly against trade protection, it insists "the social dimension" cannot be ignored.

The report challenges the views of other international bodies such as the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank. The ILO secretariat believes they downplay the gravity of the global unemployment crisis. It will be debated at the world social development summit in Copenhagen next month.

Its arguments reflect the views of a number of academic labour economists and of Mr Robert Reich the US labour secretary, the European Commission's social affairs directorate and the international trade union movement.

The report endorses trade liberalisation and the world trade deal reached under the General Agreement on Tariffs and Trade, international co-operation to stabilise financial markets and government investment promotion policies.

It calls for the adoption of "more open export-oriented economic policies that will guide production and trade towards activities in line with a country's comparative advantage." The "artificial promotion or protection of activities which have no hope of becoming internationally competitive" should be avoided.

But it rejects "pure laissez-faire policies" as well as "the failed policies of classical import substitution".

The report backs government-based adjustment programmes which allow sufficient time for adaptation to change and minimise social

unrest. It also favours cuts in non-wage labour costs such as payroll taxes and social security benefits, particularly for low paid workers as well as incentives to encourage the long-term jobless back to work.

It also argues that labour market rigidities in western Europe are not the main reason why its unemployment rates are higher than those in the more deregulated US.

High unemployment in industrialised countries is blamed on "a persistent inadequacy of economic activity for 20 years" due to "the lack of co-ordination" and the "deflationary bias of European economic policies".

It agrees "excessive" pay rises contributed to rising European unemployment between the first oil shock of 1973-1974 and the mid-1980s but this "no longer appears to be true".

"It cannot be said the level of wages continues to be a significant problem and indeed their reduction would only have a meagre impact on unemployment... Wages across countries only marginally adjust to changes in unemployment and not in a way that would clear the market."

It also says "at best the evidence is unclear" that decentralised bargaining provides greater flexibility in real wage adjustment. In the UK, it says, "real wages have risen faster than productivity growth and aggregate employment has not increased, in spite of the decline in union density and decentralisation of pay bargaining... The fact that three of the world's most successful economies - the US, Japan and Germany - all have vastly different levels and coverage of bargaining and union density undermines the case for the superiority of decentralised systems," it says.

Most evidence on the imposition of a national minimum wage has an "insignificant" impact on aggregate employment levels in industrialised economies. It questions whether high unemployment benefit paid out in western Europe for long periods has much impact on the jobless numbers.

The report favours "appropriate labour market regulation", arguing employment security measures "increases the propensity of firms to train and the willingness of workers to invest in upgrading their skills".

"Rules that protect the income and employment security of workers can increase productive efficiency by creating incentives for competition to occur more through product market innovation and market strategy."

Obtainable from the ILO office, Vincent Square, London SW1 2NB, £12.00

INTERNATIONAL NEWS DIGEST

Call to suspend talks with Israel

A senior pro-peace leader of the Palestine Liberation Organisation yesterday called for suspension of peace talks with Israel, reflecting the growing lobby inside the PLO against continuing the current process. Mr Yasser Arafat said the talks should be suspended to allow other countries to participate in negotiations in order to revive the moribund peace process. Mr Arafat is close to PLO chairman Yasser Arafat and has so far been a vital element inside the PLO in backing Mr Arafat's peace gambit. His remarks reflect deepening opposition within PLO ranks to continuing the process.

Three other members of the executive committee who have backed the process - Mr Farouk Kaddoumi, Mr Sleiman Najjar and Mr Mahmoud Abbas (Abu Mazen) - are not attending the meeting in protest at the way Mr Arafat has handled the negotiations with Israel and the way the self-rule agreement has turned out in the Gaza Strip and West Bank. *Julian O'Carroll, Jerusalem and Shuhra Idriss, Cairo*

Low turnout mars Kyrgyz poll

The second round of elections for Kyrgyzstan's parliament filled only two-thirds of its 105 seats, leaving the body still unable to begin work, election officials said yesterday. Low voter turnout and errors in Sunday's elections left 27 seats vacant, the Central Election Committee in the capital Bishkek said. Turnout fell below 50 per cent in some regions, invalidating balloting. Overall, only 61 per cent of registered voters went to polling stations. The elections were called by President Askar Alayev last September following the dissolution of the old parliament. Since then, the president has ruled by decree and will continue to do so until the new parliament is in place. The next round of elections will be held in two months. *AP, Bishkek*

Saddam 'still has missiles'

Iraqi President Saddam Hussein is still concealing long-range missiles and chemical and biological weapons from UN inspectors, General Wafiq al-Samara, who defected last year, said yesterday. In an open letter to UN envoy Rolf Ekens, who is in Baghdad this week, the general said Saddam had retained long-range Scud and al-Hussein missiles. *Reuters, Moscow*

Israel reduces interest rates as anti-inflation policies start to bite

By Julian O'Carroll in Jerusalem

Israel lowered interest rates yesterday for the first time in more than a year, signalling confidence that anti-inflationary policies are beginning to show signs of modest success.

The Bank of Israel cut its key lending rate to commercial banks by 0.7 percentage points from 17 to 16.3 per cent, the first interest rate reduction after seven consecutive hikes in 1994.

The Israeli treasury, which has piled pressure on the central bank to cut rates substantially, welcomed the move as "the beginning of a process of lowering interest rates, which is essential for the stability and growth of the economy."

But share prices in Tel Aviv fell, reflecting disappointment

in the market about the size of the cut. The Mishkin index of the top 100 blue chip companies fell 1.5 per cent to close at 157.29 points. Businessmen and manufacturers also said the cut was insufficient to avoid economic slowdown and a restore export competitiveness.

Mr Jacob Frenkel, central bank governor, said last month's 0.2 per cent increase in the consumer price index and evidence of slow growth of monetary aggregates had allowed the bank to make yesterday's move. But he said it was too early to declare victory against inflation, which last year reached 14.5 per cent.

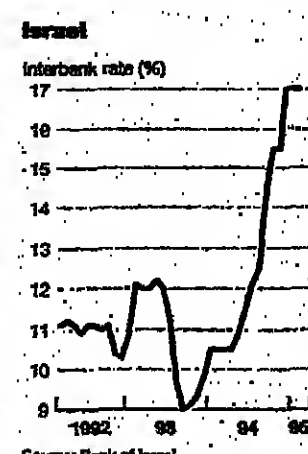
He described the rate cut as merely a modest realignment of nominal rather than real interest rates.

The governor said if the

bank continued to receive firm evidence of a downturn in inflation consistent with a target of 8-11 per cent this year he would further reduce rates later. But he warned: "The disinflation policy is a long effort and must be considered as a permanent way of life."

Israel's business community reacted negatively. Mr Danny Glickman, chairman of the Israel Chamber of Commerce, said the move was "too little and one must hope its not too late." Mr Glickman, who has demanded a cut of 2 per cent, said the Bank of Israel's monetary policy had caused chaos in the money market and warned of economic stagnation.

Mr Dan Propper, Chairman of the Israel Manufacturers Association, said he viewed Mr Frenkel's modest rate reduction



Source: Bank of Israel

Poor nations rally to Unctad defence

By Frances Williams in Geneva

Developing countries have rallied to the support of the United Nations Conference on Trade and Development, the principal UN forum for discussion of development issues, after suggestions it should be abolished in the interests of streamlining the UN system.

The report of the Commission on Global Governance presented to the UN last month

called for a review of Unctad's role - and that of another UN agency, the UN Industrial Development Organisation (Unido) - as part of proposals for a new UN Economic Security Council.

Subsequently, Mr Karl Theodor Paschke, head of the UN's Internal Oversight Services, said he intended to carry out such a review, adding that Unctad had lost a large part of its mandate to the new World

Trade Organisation.

This is refuted by the Group of 77 developing countries, which has told Mr Boutros Boutros Ghali, UN secretary-general, that it wants Unctad's activities reinforced. At a news conference yesterday, Ambassador Guillermo Alberto Gonzalez of Colombia, chairman of the G77 in Geneva, said Unctad's work complemented that of the WTO, which is more narrowly concerned with

trade issues.

Apart from trade-related activities, Unctad's work includes aid and debt policies, multinationals and foreign direct investment, privatisation, technology transfer, commodities and development in the world's poorest countries. The organisation, which has a regular annual budget of \$55m (with another \$20m earmarked for technical co-operation), employs about 440 people.

Indonesia minister seeks showcase credit boost

By Manuela Saragosa in Jakarta

Mr B J Habibie, Indonesia's minister for research and technology, yesterday said several of the country's showpiece high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and required sizeable export credits to compete on foreign markets.

Mr Habibie, said IPTN, with

which he is closely identified, and its sister ship-building company PAL, were both facing losses, though he did not say how large these were.

"If we have to sell all our products on cash-and-carry terms, how can we compete with foreign or domestic producers which offer credit facilities for buyers?" he said in a report carried by the official Antara news agency. Most big capital goods are sold on the

basis of credit, he said.

His comments came ahead of his meeting with Mr Sudrajat Djihadono, governor of the central bank, and Mr Mar'ie Muhammad, minister of finance, to ask for a study into making state funds available for export credit. "If the results of the study show that an export credit scheme will burden the state's finances then let us close down the industries," he said.

Over the past 18 years, the government has invested nearly \$1bn in IPTN, which is currently looking to set up a \$100m joint-venture in either Alabama or Georgia in the US.

Mr Habibie, a controversial technology enthusiast, has been at the centre of a row with Mr Mar'ie Muhammad. Last year, Mr Muhammad slashed by two thirds the \$1.1bn in state funds made available for upgrading and

buying a fleet of 39 east German warships, a purchase which was organised by Mr Habibie.

Mr Habibie was also allegedly behind a presidential decree last year to divert about \$200m from a repatriation fund to IPTN, causing an outcry from environmentalists.

The minister has also been criticised by the World Bank, which said Indonesian govern-

ment would do better to invest money in sectors where profitable returns are more certain and which can absorb the 2.5m new workers who enter the domestic workforce every year.

IPTN and PAL are grouped under the Agency for Management of Strategic Industries, which includes other companies specialising in electronics, weapons, explosives and telecommunications.

US indicates support for proposed talks on OECD investment treaty

By Nancy Dunne in Washington

The US has signalled its backing for negotiations over a multilateral investment treaty to be launched in May at the next ministerial meeting of the Organisation of Economic Co-operation and Development.

The time appears to be ripe for such a treaty: the global shortfall of investment capital could push some countries to liberalise more swiftly than could ever have been expected.

Such a treaty is one vehicle for meeting concerns about endless trade disputes and the broader transatlantic relationship. The Clinton administration, which has made trade and investment a high priority in its relations with developing countries, is now targeting the EU, still its largest export market and fastest-growing one for

high technology product.

"The US and Europe need a more far-reaching vision of their intertwined future than now exists," said Mr Jeffrey Garten, the US Commerce undersecretary for international trade, in a speech last year. "The vision must go beyond the platitudes of more co-operation, and beyond the efforts to deal with a series of agenda items, important as these are."

Sir Leon Brittan, the EU trade commissioner, last month called for a strong treaty which would give companies access to a fully convertible currency, allow them to repatriate their profits, and leave them free from "unduly onerous performance requirements".

The OECD, he said, should certainly be given a mandate to pursue an investment

treaty. "But it is only worth issuing such a mandate if we are all agreed 'up front' that such rules would be more binding than some past OECD rules, and would have fully effective enforcement procedures."

Preliminary analysis for an investment treaty has been under way since a feasibility study was ordered in the OECD 1991. Five OECD working groups have been examining the proposal and are expected to produce a draft to be presented at the May 23 OECD meeting supporting the case for a treaty and requesting approval from member governments.

Global foreign investment is currently governed by a web of bilateral investment treaties, many of which are decades old. Business organisations, such as the European-American

Chamber of Commerce, are pushing hard for a multilateral pact that would require countries to treat subsidiaries of foreign countries no less favourably than their own companies.

They want harmonisation of rules governing taxes and prohibitions on performance requirements, such as technology transfers and the export of intellectual property.

Multilateral investment rules for services were agreed in the Uruguay Round trade liberalisation talks of the General Agreement on Trade and Tariffs, but the Round is riddled with exemptions. Sir Leon has pushed for consideration of a new pact under the Gatt's successor body, the World Trade Organisation, but the US believes the same exemptions would be sought.

WORLD TRADE NEWS DIGEST

Microsoft starts China training

Microsoft, the US computer giant, yesterday launched a \$1m scheme to train Chinese computer software engineers as part of its sales drive in China. The US company is giving top universities endowments to establish "Microsoft certified professional" programs as a means of strengthening its foothold in China.

The four universities selected for endowment include: the Institute of Software of the Chinese Academy of Sciences and Qinghua University in Beijing; Jiaotong University in Shanghai; and Guangzhou University.

The Microsoft courses have been sanctioned by China's Ministry of Electronics Industry (MEI) and the state education commission. Microsoft last December signed a memorandum of understanding with MEI to co-operate in software development. Personal computer sales in China are running at about 650,000 annually and virtually all PCs are equipped with Microsoft programs, the bulk of which are pirated. Network sales are expected to double this year. *Tony Walker, Beijing*

US lauds Beijing piracy efforts

Washington has been heartened by Chinese actions to crack down on intellectual property rights violations, but piracy remains rampant, Ms Charlene Barshelsky, deputy US trade representative, said yesterday. Speaking on her arrival in Beijing, she said that talks to avert a trade war had made some progress, but several important issues had yet to be resolved. *Reuters, Beijing*

Stretch Boeing 777 planned

Three Japanese aircraft manufacturers will start work this summer on developing a 450-seat stretch version of the Boeing 777 with Boeing of the US. Industry officials said yesterday the three companies, Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries, will send about 50 technicians to Boeing's factory in Seattle, Washington, in the next few months to assist with development. The new aircraft is expected to be ready for service in 1998.

The original Boeing 777 was completed last year and begins service in the spring. Several companies have expressed interest in the stretch version, which will have a longer fuselage than the original but a similar flight range of about 5,000 miles. *Gerard Baker in Tokyo*

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*J.D. Power and Associates 1994 Customer Satisfaction with Product Quality and Dealer Service StudySM. Study based on a total of 24,797 U.S. consumer responses.

NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Minister sacked in South Korea

Mr Kim Deok, the South Korean deputy prime minister for national unification, was sacked yesterday in response to allegations of political meddling by the country's intelligence agency when he was its chief. The opposition Democratic party on Monday claimed that the Agency for National Security Planning (NSP) last autumn had studied the possibility of postponing local elections scheduled for June. Mr Kim, who was appointed unification minister last December, was then head of the intelligence agency. The opposition has accused the government of trying to delay the elections so it could redraw administrative boundaries that would improve the electoral performance of the ruling Democratic Liberal party.

Mr Rha Woong-bae, a close confidant of the president, was named the new unification minister. Mr Rha indicated that he would take a more conciliatory approach toward North Korea by promoting economic co-operation. The local polls are the first main election test for the government of President Kim Young-sam since it came to power two years ago. Mr Kim Jong-pil, who resigned last month as DLP chairman after a dispute with President Kim, meanwhile said he would form a new conservative party to challenge the government in the elections. The new party, the United Liberal Democrats, has the support of at least nine MPs in the 299-member national assembly. *John Burton, Seoul*

Japanese revival 'uneven'

Japan's economy is undergoing a slow and uneven take-off, according to government indicators issued yesterday. The Economic Planning Agency's coincident index, a basket of 11 indicators of current business conditions, stood at 85 in December, the fifth month running at which it has stood above 80, the dividing line between expansion and contraction. It stood at 80 in November, proof the economy "remains on a trend towards recovery," the EPA said. The leading indicator, a measure of expected economic conditions three to six months ahead, fell slightly to 72.7 in December, above equilibrium for the second month running. *William Dawkins, Tokyo*

Hong Kong inflation tops 10%

Hong Kong's annual inflation rate rose above 10 per cent last month, underlining the colony's continuing difficulty in controlling the pace of price rises. The CPI (A), Hong Kong's accepted inflation measure, rose 0.7 per cent in January compared with December. This pushed the annual rate of inflation to 10.1 per cent in January, compared with 8.9 per cent in December and 6.2 per cent in January 1994. The census and statistics department said the main reason behind the sharp rise was movements in essential foods. Vegetable prices were 30 per cent higher in January than a year ago, it said. *Simon Holberton, Hong Kong*

■ Taiwan's current account surplus rose to US\$2.06bn (£1.3bn) in the fourth quarter of 1994 from \$1.95bn in the same period a year earlier, the central bank said. *Reuter, Taipei*

■ Japan has adopted a goal of constructing a nationwide optic fibre network by 2010 as part of its policy of promoting telecommunications infrastructure. *Reuter, Tokyo*

■ The Hong Kong government will not relax measures introduced last year to cool speculation in the residential property market, Mr Dominic Wong, secretary for housing, said yesterday. The measures included limiting housebuilders' ability to pre-sell developments. *Simon Holberton, Hong Kong*

N-waste ship set for stormy trip

By Emiko Terazono in Tokyo and Haig Simonian in London

The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave the French port of Cherbourg for Japan tomorrow.

The Pacific Pintail, a specially equipped vessel owned by British Nuclear Fuels, will set off after the company won an injunction in France on Tuesday to restrict potential disruption by Greenpeace, the environmental lobby group.

No course for the voyage has been revealed. However, environmental activists are gearing up for one of their most vociferous campaigns since the Akatsuki Maru, a reflagged BNF freighter, carried plutonium from Cherbourg to Japan in 1992-93.

The Japanese government had initially wanted to release details of the voyage but met strong opposition from BNF and Cogema, the French state reprocessing company, which were concerned about protests.

However, the injunction, which prevents Greenpeace from getting within 8km of the vessel, covers Frenchwaters only and lapses at the end of this month.

"We will take any appropriate and necessary legal action to protect the ship in international waters," said a BNF official. As the Pacific Pintail is British-registered, BNF could turn to the UK courts to prevent protests on the high seas.

"There are few operations which have enjoyed so much consensus as this one," said Mr Jean-Louis Ricard, Cogema's vice president in charge of reprocessing. "Only one group is against it, in order to gain publicity."

The Japanese government is bracing itself for an international outcry. The country's Science and Technology Agency and the Federation of Electric Power Companies confirmed the first shipment of radioactive waste would leave tomorrow. As the course has been kept from the public, international environmental groups and more than 20 countries on the expected voyage are criticising the government for lack of disclosure.

The high-level waste is concentrated and mixed with glass into cylindrical blocks. Tomorrow's shipment will consist of 28 such blocks. Environmentalists claim the blocks are so radioactive that a person standing within one metre of a single unshielded block could receive a lethal dose in less than a minute.

The shipment is expected to arrive in April. Four routes are possible. The Akatsuki Maru travelled around the Cape, across the Indian Ocean and between Australia, New Zealand and the South Pacific Islands before reaching Japan.

However, a similar course is less likely for the Pacific Pintail, as it is not designed to sail so far without refuelling. A non-stop voyage would have to use the Panama Canal.

These are likely to be extremely controversial. In late 1992, Cogema sparked off an international row by sending a first consignment of highly radioactive plutonium - one of the usable by-products of the reprocessing cycle - to Japan. That voyage has not been repeated.

Plutonium shipments from France to Japan are relatively small and are timed depending on the Japanese customers' demand, explains Mr Ricard. By contrast, the waste consignments will be more frequent.

How well equipped the Japanese are to receive them is less clear. The Japanese government has yet to find a final site for storing radioactive waste.

While a facility to deposit nuclear waste has been built in Rokkasho, Aomori in northern Japan, as part of a nuclear complex which includes a uranium enrichment plant, local authorities refuse permanent storage.

Following last December's agreement with Rokkasho and the Aomori municipal government to limit the length of storage at the Rokkasho site, the government has been forced to look for alternatives, including the northern island Hokkaido.

The proposition is expected to become one of the central issues of the Hokkaido gubernatorial election in April.

However, politically it raises hackles about turning Britain into a nuclear dustbin. Cogema says it has not agreed on substitution with its customers. Thus tomorrow's shipment will be first of many from France to Japan. Further shipments are likely to follow once the cycle is in full swing.

Cogema expects to make "one or two" shipments a year, with the next transfer taking place either this year or in 1996, according to Mr Jean-Louis Ricard, the vice president responsible for reprocessing at Cogema.

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The waste comes in three degrees of radioactivity - high, medium and low. A similar arrangement exists in the case of British Nuclear Fuels, Cogema's UK competitor, and its clients. However, the question of returning high level nuclear waste from BNF has not yet arisen, as its big Thorp reprocessing facility is only

Contract with America is on target at halfway mark

By George Graham
in Washington

Republicans in the US Congress reach the halfway mark today in their 100-day march to carry out the Contract with America, the manifesto on which they swept into the majority at last November's congressional elections.

Although only one measure in the Contract — a bill placing Congress under the same workplace laws as other employers — has been signed into law, Speaker Newt Gingrich and his allies can already claim to have accomplished much of what they promised.

The Contract was signed only by Republican candidates for the House of Representatives, and it promises only to bring a list of bills to a vote on the House floor. It does not guarantee passage, and it certainly does not guarantee that the Senate will pass the same measures.

The original list of 10 bills promised in the Contract has been broken up in many cases

into separate pieces of legislation, so precise scorekeeping is difficult.

However, House Republicans have so far made good on the internal congressional reforms which made up the Contract's preamble, on three other measures in their entirety and on parts of a fourth. Committee work is well under way on several other critical components.

The House's 230 Republicans have shown remarkable party discipline in the usually unruly Congress, and on several bills have been joined by 30 to 80 of the 204-strong Democratic minority.

But there have been some severe rifts within the party, which have often pitted more moderate old-timers against the radical newcomers who won their first elections in November. One clash came over the balanced budget amendment to the constitution, when moderates forced the elimination of a requirement that any future tax increase be passed by a three-fifths majority of Congress.

Party leaders had to work hard to prevent freshmen members from voting against the amendment because it had been weakened from the original Contract language.

A similar clash between old and new is expected over proposals to limit the length of time members can serve in Congress.

The Contract has so far suffered only one severe defeat on the floor of the House: when 24 Republicans defected to vote against its requirement that the Pentagon speed the deployment of Star Wars style anti-missile defences. The rebels included four committee heads, most notably Congressman John Kasich, who chairs the budget committee and is a central figure in the party leadership.

The hardest work, however, may be ahead. Among the measures which have been slowest to move are promises to cut capital gains taxes and provide a tax credit of \$500 (\$200 per child to families).

Under current pay-as-you-go

budget rules, tax cuts have to be offset by increases in other revenues or cuts in recurrent entitlement spending. The cost of the Republican package is estimated at \$200bn over the next five years, and more than \$700bn over 10 years.

That cost would make it even harder to bring the budget into balance, as Congress could be required to do as early as 2002 if the balanced budget amendment to the constitution passes the Senate next week and is then ratified by three quarters of the states.

The Senate, meanwhile, does not have the same commitment as the House to the Contract's content or to its 100-day timetable. Nevertheless, Mr Gingrich and his House troops have the political wind in their sails. Senator Robert Dole, the Republican leader in the Senate, may be more cautious by nature than Mr Gingrich, but he may find it hard to buck the Contract without hurting his chances of winning next year's presidential nomination from the Republican faithful.

The heart of the Contract with America is a package of reforms to Congress's operations and a list of 10 bills that Republican candidates promised to bring to the floor of the House for full debate and a clear vote within 100 days of convening. At the halfway point, this is where the Contract stands:

- Congressional reforms. Legislation to subject Congress to the same rules on employment conditions as the rest of the country passed in two weeks and was signed into law by President Bill Clinton on January 23. Internal rule changes have also been implemented.
- Fiscal Responsibility Act. A constitutional amendment requiring the federal government to balance its budget passed the House and will come to a vote in the Senate on February 28. Supporters are close to the two-thirds majority they need for the amendment, which would also have to be ratified by three quarters of the states. Legislation to give the president power to cross out individual lines in spending bills passed the House, and two competing versions have cleared Senate committees.
- Taking Back Our Streets Act. Split into six bills, the House has passed measures to boost prison spending, reduce habeas corpus rights and constitutional protection against illegal searches, and replace Mr Clinton's plan to fund the hiring of 100,000 more police

officers with more general grants to local governments. Senate committee action is expected next week, but Mr Clinton has threatened a veto.

- Personal Responsibility Act. The plan to reform the welfare system would cut payments for unmarried mothers and give more responsibility to the states. It has passed a House subcommittee. More committee action is expected this week.
- Family Reinforcement Act. The House ways and means committee has held hearings on this proposal to provide tax breaks for adoption and the care of elderly dependents. The Contract also proposes tougher child pornography laws and expanded rights for parents over their children's education.
- American Dream Restoration Act. This package of "middle class tax cuts" may prove one of the most difficult measures to pass, because it will be so expensive to finance its proposed \$500 per child tax credit and easing of the tax penalty on marriage. Legislation has not yet advanced very far.
- National Security Restoration Act. The House passed this bill to cut US participation in United Nations peacekeeping operations and restrict the president from placing US troops under foreign command after an irritable debate last week. The Senate is expected to be much more wary of the bill and a

presidential veto has been threatened.

- Senior Citizens Fairness Act. No action yet on this promise to raise the limit on how much senior citizens can earn without losing their social security benefits.
- Job Creation and Wage Enhancement Act. The "unfunded mandates" portion of this proposal, which would restrict the federal government in imposing actions on state governments unless it also provides money to pay for them, has passed both House and Senate, but the two chambers are having difficulty reconciling their versions. A moratorium on all government rules will come to the House floor this week. Proposed changes to depreciation rules appear almost dead, and debate continues over a 50 per cent cut in capital gains tax, which would be costly.
- Common Sense Legal Reforms Act. A House committee has approved legislation to restrict lawsuits by shareholders. Fierce debate is expected over limits to manufacturers' product liability and on a measure to make the loser pay both sides' legal costs.
- Citizen Legislature Act. A Senate committee has approved a bill that would restrict members of Congress to 12 years in each chamber. In the House, relations have soured between Republican leaders, who are backing a 12-year limit, and hardline term limits advocates, who want a six-year ceiling.



Peace deal fails to halt Peru-Ecuador fighting

By Sally Bowen in Lima

Armed clashes are continuing in the disputed Peru-Ecuador border area known as the Cordillera del Condor, despite the signing of a peace declaration in Brasilia last Friday. A communiqué issued late on Monday by Peru's joint chiefs of staff accused Ecuador of carrying out "aerial operations with combat helicopters... infiltrating troops and harassment".

In the Peruvian forward bases of PV-1 and Ciro Alegria last weekend there was no let-up in activity as troops and provisions were constantly shuttled in and out. Commando patrols were slogging through dense jungle, thigh-deep in mud and still exchanging machine-gun and mortar fire with at least Ecuadorian patrols: platoons of Aguazuna Indian volunteers ferried rations to them. There could now be some 2,000 Peruvian soldiers in the disputed zone.

A preliminary contingent of observers from the US, Chile,

Argentina and Brazil was yesterday due to start a four-day visit to Ecuador and Peru, to establish the viability of a larger, technical mission of observers to oversee the ceasefire and separation of forces.

The mission faces an unenviable task. The military on both sides, irrespective of agreements their countries' diplomats may sign, appear well dug in and passionately committed to not ceding an inch of territory.

In this most anachronistic and confusing of conflicts, there is no certainty over exactly where some of the disputed bases lie or who controls them. Peru's President Alberto Fujimori has three times in a week had to cancel attempts to reach Tiwinza, a border outpost which both Peru and Ecuador claim to occupy.

Both sides in the conflict have claimed military and diplomatic victories and peace has been widely celebrated. But in both countries, criticism of the peace terms is mounting.

Under the agreement, the disputed zone on the eastern slopes of the Cordillera del Condor will become a demilitarised zone. Ecuador will pull its troops back to Coangos, Peru to PV-1. This is an "undue concession which jeopardises Peruvian sovereignty over part of the national territory", said Mr Javier Pérez de Cuéllar, former UN secretary-general and the main opposition presidential candidate for April's general elections.

Mr Pérez de Cuéllar, now the most convincing critic within Peru of the peace declaration, argues it is "inequitable" and "harmful to the national interests" in requiring Peruvian troops "to retreat from zones that Ecuador occupied by force, while Ecuadorian troops remain right on their frontier: aggression is being rewarded and encouraged."

The peace declaration is too vague and and does not include obligatory demarcation of the 78km of frontier under dispute, he said.

Florida state sues tobacco industry

By Richard Tomkins
in New York

The state of Florida yesterday said it had filed a lawsuit against the US tobacco industry claiming billions of dollars for health costs incurred by the state in treating smoking-related illnesses.

In an outspoken attack on the cigarette makers, Mr Lawton Chiles, the state governor, said: "This suit sends a loud and clear message to the tobacco industry that it, not the taxpayers, will be held accountable for marketing sickness and death."

The latest legal action comes only days after last Friday's ruling in a New Orleans court that cleared the way for lawyers to bring a multi-billion-dollar class action lawsuit against US tobacco companies claiming compensation for nicotine addiction.

The cigarette manufacturers' shares, which had already fallen on Friday in response to the New Orleans ruling, declined further yesterday. Philip Morris's shares were down 32 at \$58.4 in early trading and RJR Nabisco's were down 34 at \$55.

The Florida lawsuit is aimed at recovering state money

spent on treating smoking-related diseases under the Medicaid programme, a health programme for the poor. The state says these costs amounted to \$1.4bn over the past five years.

The state aims to combine all Medicaid cases relating to tobacco use and file them as a class action. If the suit were successful, damages would be divided among the cigarette makers according to their market share.

Other states are contemplating similar legal action against cigarette makers and Mississippi has already filed a suit. But Florida last year passed a law called the Medicaid Third-Party Liability Act specifically designed to increase its chances of successfully suing the industry.

On Monday Philip Morris and R.J. Reynolds Tobacco launched a pre-emptive strike against the Florida suit by filing a petition claiming the state's suit was unconstitutional. Mr Steve Parrish, Philip Morris's general counsel, said cigarettes were a legal product sold by thousands of businesses in Florida. In the past five years the state had collected \$2.2bn in excise taxes and \$800m in sales taxes on tobacco products.

Commission protest by travel agents

The American Society of Travel Agents yesterday hit back at big US air carriers who are trying to curb their commissions on airline ticket sales, Reuters reports from Washington.

The society said it was filing an antitrust lawsuit against the airlines and seeking a restraining order against the commission cuts until the lawsuit can be resolved.

The class action lawsuit alleging price fixing was being filed following an emergency meeting of the society's board of directors.

Earlier this month United Airlines and USAir joined American Airlines, Delta Air Lines and Northwest Airlines in moving to curb the 10 per cent commission paid to agents on every ticket sold.

The airlines said they would carry on paying a 10 per cent commission for lower-fare tickets but impose a ceiling of \$25 for commissions on one-way tickets costing more than \$250 (£180) and a ceiling of \$50 for round-trip tickets costing more than \$500.

The society earlier complained that the resulting cut in revenues would have a "devastating" impact on US travel agencies.

Mexico crisis may send Argentina to IMF

By David Pilling
in Buenos Aires

Argentina may sign a new accord with the International Monetary Fund to see it through financial difficulties provoked by the Mexican crisis, a Finance Ministry official admitted yesterday.

Mr Ricardo Gutierrez described negotiations as "very preliminary" and denied press speculation that the specific sum of \$2bn had been discussed with the IMF, which has had a monitoring team in Buenos Aires for three weeks. In the past, government officials, including Mr Domingo

Cavallo, the economy minister, have denied that Argentina would seek fresh funding.

Only last September, Argentina turned down the last two tranches of an IMF extended-fund facility totalling \$410m, claiming that its good access to international capital markets rendered such assistance unnecessary. President Carlos Menem described Argentina as being like a child that had just learned to walk on its own — it no longer needed parental assistance.

At the time, the administration strongly denied that it had refused loans in order to escape rigorous IMF monitoring, but in the second half of 1994 it recorded a budget deficit.

As a result of the stock waves provoked by Mexico's devaluation, Argentina's position has worsened considerably. Prospects of much slower capital inflows this year, as well as severe liquidity problems in the financial sector, have provoked fears of recession, or even a banking collapse. The stock market has lost more than 30 per cent of its value since Mexican devaluation, with many government bonds falling by a similar amount.

Tough international market

conditions have obliged the administration to turn to the domestic market for funds needed to pay \$5.2bn in debt payments this year.

The government has scheduled seven auctions of short-term treasury bills for the first quarter of 1995 in which it hopes to raise a total of \$1.7bn, but conditions for yesterday's \$200m placement were said to be "discouraging" by some traders.

The IMF would almost certainly impose tough conditions as the basis for a new accord, including further spending cuts or tax increases. These may be extremely hard to swallow.

low for an administration that must fight presidential elections on May 14.

However, some commentators have suggested that the government will play on public fears of economic instability to push through an austerity package. "Such a package, if applied before the May elections, should play in favour of the ruling party in the election, as it will be perceived as a bold and responsible move in managing the crisis," said an analyst at Baring Securities. "Memories of economic chaos and hyperinflation should gain public support for this package."

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NEWS: UK

MPs divided over air traffic control sell-off

By Michael Skapinker,
Aerospace Correspondent

The government should consider turning the air traffic control system into a profit-making state company rather than privatising it, the House of Commons transport committee said yesterday.

The government proposed in 1993 privatising the Civil Aviation Authority's National Air Traffic Services (Nats), with the CAA remaining a regulatory body and Nats being floated as a private company. The committee

said it was divided on the merits of privatisation, but agreed that the government needed to consider allowing Nats to remain in the public sector, though having the right to borrow money privately.

The committee said several countries had decided to separate air traffic control organisations from government, creating bodies which were expected to operate in a commercial fashion.

No country had completely privatised its system, although Swiss air traffic control was partly private. New

Zealand and Germany had formed state-owned organisations with the power to borrow privately.

The UK Department of Transport had told the committee that it could not accept this alternative, dubbed "corporatisation". Nats' borrowing would still be classified as public borrowing, because it would be backed by an implicit government guarantee.

The committee said there were precedents for public companies being allowed to borrow privately. British Petroleum and British Leyland, the former vehicle conglomerate, were

allowed to do so when most of their shares were owned by the government. British Nuclear Fuels had been permitted to borrow privately to invest in its Thorp reprocessing plant.

The committee said: "The option of 'corporatisation', we believe, should not be ruled out simply because of Treasury rules which are inconsistently applied."

It added: "Before the government proceeds with its plans, we recommend that it publish detailed arguments as to why it does not favour the alternative... of converting

Nats into a profit-making public sector company."

The committee said if the government did go ahead with its plans, the CAA should not be responsible for regulating safety as well as being a privatised Nats' economic regulator.

Mr Paul Channon, the committee chairman and a former Conservative transport secretary, said planned annual capital investment of £100m represented only 4 per cent of the Department of Transport's budget. "It seems to me we could find the extra investment without privatisation."

Watchdog criticises immigration service

By Andrew Adams,
Public Policy Editor

Britain's Immigration Service needs to do more to cope with peak passenger flows at airports and to recover fees outstanding from airlines and ferry operators, the National Audit Office - the government spending watchdog - said yesterday.

The parliamentary watchdog called in a report on entry into the UK for improved management practices to ensure more efficient "passenger throughput" and to cope with variations in passenger demand.

A review of shiftworking practices had concluded that "shift patterns do not provide an optimum match between resources and demand".

The report notes that "early morning peaks at some Heathrow and Gatwick terminals were not adequately staffed and there was a need for fewer staff at night".

The Immigration Service deals with millions of entries a year, but much of its work is created by the 60,000 to 70,000 passengers who are subject to further enquiries.

To minimise the number of such cases, airlines and ferry operators are charged for passengers brought into the country without proper documentation.

But the report says £22m (\$34.5m) of the £62m levied in such charges was still outstanding at the end of 1993. The Home Office said yesterday that £62m of the £75m now outstanding in charges had been recovered, an 83 per cent recovery rate.

"A rigorous approach to recovering the balance will be maintained," it said.

Westland wins defence helicopter deal

An Anglo-Italian venture has beaten Boeing, says Bernard Gray

The UK Ministry of Defence has decided to buy the bulk of its new £1bn (\$1.55bn) transport helicopter fleet from Westland, the Yeovil-based aerospace company, rather than Boeing of the US.

The decision has to be ratified by the cabinet, but with strong backing from the MoD and the Department of Trade and Industry, it is expected to face little opposition. The MoD is preparing papers for the cabinet, and the result could be announced as early as next week.

The order will be for 20 to 25 of Westland's EH101 medium-sized transport helicopters, developed jointly with Agusta of Italy, and 8 to 10 of Boeing's larger Chinooks, which are needed to lift bulky objects. The Chinooks will be added to the UK's existing fleet of 30. Neither Boeing nor Westland would confirm that a decision had been reached.

Negotiations over the order have been extremely tough, since the decision is important to both companies. Boeing's Chinook production line in the US is expected to run out of work by the end of the year and the EH101 is expected to

be the mainstay of Westland's future production.

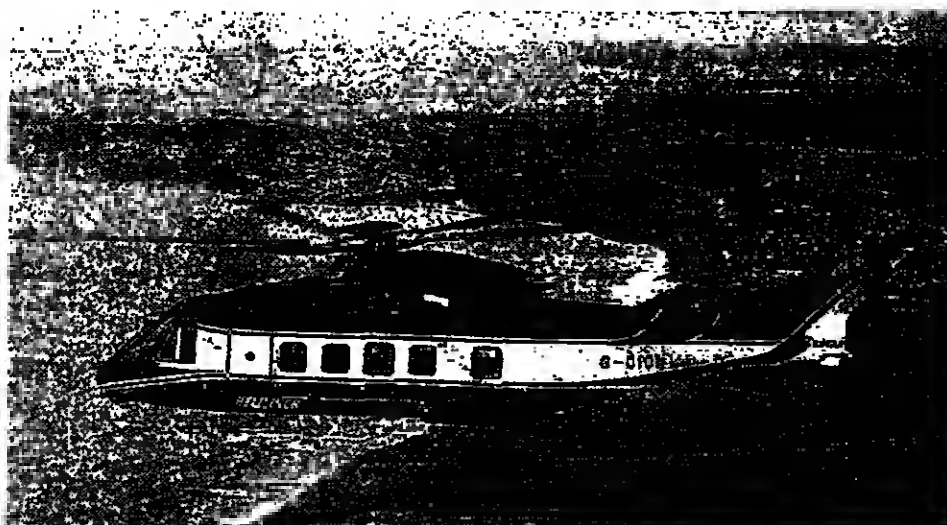
The high cost of installing new training and maintenance facilities for the EH101 surprised the MoD, and the Royal Air Force has argued that these would not be needed for the Chinook, which could use existing equipment. There has been strong opposition within the RAF to buying the EH101 and the RAF had been lobbying hard for an all-Chinook purchase.

At a time when the RAF's over-riding priority is to make sure it gets 260 of the next generation Eurofighter at a cost of £12bn, any money it can save elsewhere is welcomed.

Boeing offered to place 200 per cent of the value of any contract awarded to it as work with companies in the UK if the MoD decided to buy more than 30 Chinooks. Westland was forced to lower the price it offered several times before an acceptable price was reached.

Despite the high cost of new EH101 facilities, such intense price competition meant that the final order fell within the MoD's budget.

Recently there had been speculation that the MoD



The EH101 helicopter is regarded as highly versatile by military and civilian operators

might ditch the troop-transport version of the EH101 and place the entire order with Boeing, but the ministry has apparently always intended to stick to its declared line of buying a mixed fleet.

The EH101 is capable of operating in all weather conditions, unlike the Chinook, and the procurement arm of the MoD is thought to have been concerned about the impact on export prospects for the EH101 if the RAF did not buy the heli-

copter. The Royal Navy, which is enthusiastic about the EH101, has already ordered 44 EH101s for use in anti-submarine warfare, and may order a second batch.

The MoD has invested £1bn in its share of development funding for the helicopter. The total cost of the EH101 programme is put at almost £4bn.

Italy, which has a 50 per cent share in the project, has scaled down its original requirement from 35 of the anti-submarine

warfare version of the EH101 to 18. However, it has not yet placed a firm order for any of aircraft. Agusta, the Italian aerospace company which helped design the EH101, makes 50 per cent of the aircraft.

In the civil market the EH101 is being offered as a possible oil-rig crew transporter, particularly for the North Sea. Its ability to operate in very poor weather makes it particularly suitable.

Aviation chiefs are warned of 'green' backlash

Mr Brian Mawhinney, the UK transport secretary, yesterday warned the aviation industry that it would have to pay greater attention to environmental issues and to the views of those living near airports, Michael Skapinker writes.

Mr Mawhinney said the airline industry would increasingly confront the sort of environmental issues that the road transport sector had been dealing with for years. He told the

Aviation Club of Great Britain: "If my sense of the nation is right, all of us are going to have to pay more attention to the environmental consequences of industry for some years to come."

Mr Mawhinney - whose audience included Sir Colin Marshall, chairman of British Airways and Sir John Egan, chief executive of airports group BAA - refused to be drawn by questioners who

asked whether he supported the building of a fifth terminal at London's Heathrow airport, saying he had been advised he could not comment on the issue. A public inquiry into the terminal begins in May.

Mr Mawhinney said the fears of people living near airports about new developments had to be addressed. In reply to a questioner who said that people who chose to live near airports should not complain

about noise and that many of their complaints were ill-founded, Mr Mawhinney said: "As I used to tell my children when they were growing up, there is no law that life has to be fair. Life has to be addressed as it is."

Mr Mawhinney denied that his statements implied a lack of support for the UK aviation industry. He paid tribute to its achievements, noting that 20 per cent of UK exports by

value were now transported by air. He reaffirmed the government's determination to support UK airlines by pressing for continued liberalisation within the European Union. He said the government had strongly opposed French government aid to Air France.

He said: "I will not take lectures that seem to indicate that the government does not appreciate your industry or its contribution to UK plc."

UK NEWS DIGEST

Peace strategy for Ireland to be launched today

The British government was bracing itself last night for a period of political brinkmanship and friction in Northern Ireland as it prepared for publication of the framework agreement proposing a constitutional settlement for Northern Ireland. Mr John Major was holding an unscheduled meeting in Belfast, the Northern Ireland capital, with Mr Bruton, prime minister of the Irish Republic, to discuss last-minute plans for today's launch. Both leaders gave the final go-ahead to the proposals at special press conferences yesterday. There was no discussion around Mr Major's table.

Ministers and Conservative backbenchers conducted a round of meetings in an attempt to reassure Irish unionists and members of their own party that there had been no "sell-out" to the republic.

Unionists leaders maintained their barrage of denunciations against the document, with the Rev Ian Paisley, leader of the hardline Democratic Unionist party, calling it a "declaration of war on the union [with the UK] and the unionist people speaking after 80 minutes of talks with the prime minister. 'My worst fears are realised,' Mr Paisley added."

Mr James Molyneux, leader of the larger Ulster Unionist party, said the document was "a major part of the problem instead of a basis for solution". Mr Major told the Commons that could take place on the basis not only of the framework document but on other proposals, such as the Ulster Unionists' who unveiled a policy document of their own yesterday. The main sticking point, as it has been throughout the months of the process, are proposals for a North-South body co-ordinate and harmonise institutions on both sides of the Irish border. *John Kampfner, Belfast*

Design row over ovens

Creda, the white-goods manufacturing subsidiary of GEC of the UK, is being sued for allegedly copying the design of another company's specialist oven. The action, being brought by New World Group, market leader in built-under double ovens, might force Creda to withdraw its product line to make it distinguishable from the New World "Twinline" range. Creda said it would defend the case "vigorously".

New World was bought in January by Merloni Domestic Appliances, the Italian white goods group. Rivalry between New World and Creda led to a legal row last week when negotiations between New World managers and GEC's patents department broke up without agreement. New World lawyers now claim that Creda had already sold more than 400 ovens similar to the Twinline range even before the negotiations broke up. *James Harding*

Cable offer to schools

UK cable television companies are offering schools free connection to the information superhighway in a gesture which could cost them up to £100m over the next few years. The companies, chiefly US-owned, are members of the Cable Communications Association. This week its board agreed to offer a free standard connection - running cable from the network onto the school premises and to a set-top box which decodes the signals for display on a conventional television - to every school close to their networks.

Only some 350 of the UK's 25,000 primary and secondary schools are currently connected to a cable network. *Alan Cane*

Lord Alexander

In yesterday's article about Lord Alexander, chairman of National Westminster Bank, the figure quoted for his total remuneration package in 1993 was incorrect. It should have been £362,157.

PUBLIC NOTICES



PROPOSED MODIFICATIONS OF THE CONDITIONS OF THE LICENCE OF BRITISH TELECOMMUNICATIONS PLC ("BT")

1. The Director General of Telecommunications (the "Director") in accordance with section 12(2) of the Telecommunications Act 1984 (the "Act") hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications on 22nd June, 1984 (the "BT Licence"). The effect of the modifications which the Director proposes to make are set out in the following Schedule.

2. The Director proposes to make the modifications for the following reasons:-

(a) the availability of number portability - the ability of a customer to keep a telephone number if he changes from one provider of telecommunications services to another - has been shown to be a significant factor in promoting competition in the supply of such services;

(b) although the BT Licence makes provision for the introduction of number portability in certain circumstances, the important question of allocation of the costs of introducing such a service is excluded from the Director's powers of determination under those provisions;

(c) in the absence of such a power, progress in introducing number portability is being significantly impeded. In the Director's opinion, number portability needs to be introduced into the UK as quickly as possible and with a cost-distribution which fairly reflects the distribution of benefits to telecommunications customers as a whole;

(d) in addition, developments in the provision of telecommunications services since the BT Licence was modified to cater for the provision of number portability, have indicated a need for portability to be provided in accordance with an industry-wide specification and to widen the scope of number portability beyond simple exchange-line portability.

3. The Director is required by section 12(2) of the Act to consider any representations or objections which are duly made and not withdrawn.

4. Representations or objections to the proposed modifications may be made to: Alex Blowers, OFTEL, 50 Ludgate Hill, London EC4M 7JJ (telephone 0171 634 8798) no later than 22nd March 1995. Copies of the proposed modifications may be obtained from Peter Hammond at the above address (telephone 0171 634 8830).

All responses will be publicly available, on receipt, in the OfTel library unless clearly marked "confidential".

SCHEDULE PROPOSED MODIFICATIONS TO CONDITION 34B OF THE BT LICENCE

The existing condition 34B of BT's licence allows, at paragraphs 34B.11-15, for the introduction in a geographical area of number portability (defined as being enabled to retain a telephone number at an address if a person arranges for an exchange line to be provided by an operator other than BT, and vice versa), following the completion of a cost-benefit analysis which shows a net benefit from its introduction outweighs the likely costs. Such an analysis has been carried out and provided the requisite indication. Paragraph 34B.15 of the condition allows for BT to recover from other operators the "reasonable costs" incurred in providing, inter alia, number portability. But it does not specify how these costs are to be measured or allocated. On this point, the proposed modification would introduce a power for the Director to determine the charges levied by BT on other operators to provide number portability. Any such determination would not permit BT to recover from other operators its costs of establishing the basic ability to provide portability of numbers (the "set-up costs"), nor could BT wholly recover from one other operator the costs of routing a ported call within the BT system which are over and above those which are incurred in routing an ordinary call (the "additional conveyance costs").

The modification also expands the definition of number portability to encompass mobility of the customer to another address either at the time the telephone number is ported to another operator, or subsequently, and obliges BT to provide portability in accordance with an industry-agreed functional specification.

The modification also allows for the introduction of number portability in respect of "non-geographic numbers" - numbers which are associated with a particular service, such as freephone and personal numbers. Other operators would be able to ask BT to port a number of this kind which was of a category specified in a list by the Director, where a customer wished to take a non-geographic service from that other operator rather than BT.

In addition, the modification allows for a simplification of the procedure for introducing number portability. This will no longer require a direction to the parties involved by the Director, but will be at the request of the other operator, subject to that operator being willing to enter a reciprocal agreement to provide number portability to BT, and to the technical feasibility of the request.

CONTRACTS & TENDERS

THE UNITED REPUBLIC OF TANZANIA TANZANIAN ELECTRIC SUPPLY COMPANY LIMITED (TANESCO) ANNOUNCEMENT OF BIDDING FOR THE FAST TRACK TURNKEY SUPPLY OF AN EMERGENCY POWER GENERATION PLANT

The Government of Tanzania (GOT) has applied for financing under the Power VI Project (Credit 2489-TA) from the International Development Association (IDA) for the fast track, Turnkey supply of an Emergency Power Plant (EPP).

TANESCO, through its Project Manager, Ocelot Tanzania Inc./TCPL Tanzania Inc., is seeking bids from qualified international power station contractors for the EPP under bidding procedures in accordance with the World Bank's Guidelines for Procurement.

The EPP will be erected in Dar es Salaam, Tanzania and the principal requirements are as follows:

- Power output of 60 to 100 MW at site conditions.
- No fewer than 2 simple (open) cycle gas turbines producing 60 MW.
- New equipment, including identical gas turbines.
- Commercial operation within five to six months of the signing of a turnkey contract.
- Scope of supply to include design, engineering, equipment supply, installation, and commissioning of the power plant and ancillaries.

Bidders must have successful international or equivalent experience with the turnkey design, supply, erection and commissioning of equipment similar to that being offered, within the last 5 years. The model of gas turbine unit proposed should have a minimum of 8,000 hours of operation in a similar plant environment and the Heat Rate shall be no greater than 12,000 BTU/kWh (LHV) at site conditions (50m ASL, 32°C, 95% R.H.). The units shall be configured to operate on both liquid fuel and natural gas.

Bidders will be required to supply a bid bond of \$US 1 million.

Bid documents will be available March 6, 1995, or shortly thereafter, for a non-refundable sum of US \$300 in the form of a certified cheque payable to TCPL Tanzania Inc., or cash. Bid documents will be available from:

TCPL Tanzania Inc.
c/o TransCanada Pipeline Limited
55 Yonge Street, 8th Floor
Toronto, Ontario M5E 1J4, CANADA
Telephone: 416-869-2127
Fax: 416-869-2196

Interested firms should submit correspondence details to TCPL Tanzania by fax, and in turn they will be notified of the document availability date by fax. On receipt of payment and instructions from Bidders, TCPL Tanzania will hold the bid documents for pickup or promptly dispatch them by registered airmail or by Bidder-specified courier, but under no circumstances will it or TANESCO be held responsible for late delivery or loss of documents so transmitted. Bidders will have 28 days after the earliest date on which bidding documents are made available to submit their bids.

Union freezes staff pay as deficit grows

By Robert Taylor, Employment Editor

MSF, Britain's fifth-largest union, has imposed a staff pay and recruitment freeze, spending cuts, a ban on overseas travel and wants a 4 per cent cut in staff by the end of the year to combat a rising financial deficit.

The 480,000-member Manufacturing, Science and Finance union, hit by a continuing fall in membership, has been running a monthly deficit on its current account since November. Mr Roger Lyons, MSF's general secretary, has written to the union's full-time staff saying the union had deficits of £187,000 (£258,000) in November and £184,000 in December, with the prospect of more deficits this year.

Cuts have been imposed in an effort to return the finances to balance by 1996. Unity Trust Bank and Co-operative Bank jointly provide the union with a £9m loan facility. The union's debt repayment plan, which has reduced the overdraft from £14m in three years, has been hit by rising UK interest rates, though Unity Bank said yesterday the union was still operating within its facility.

The union has lost 5 per cent of income from members who did not sign up to have their subscriptions paid from salary. Membership has also fallen because of job cuts across man-

A struggle for control of Ucat, Britain's largest construction union, will be decided in the High Court next week. The union's full-time four-man executive committee are challenging their suspension by Ucat's general council, which claims to be the union's highest governing body. Union members agreed by an 87 per cent majority ballot vote at the end of last year to replace the full-time executive with one made up of lay members.

Manufacturing and the public services and more recently instability in the financial sector.

Mr Lyons and the union's executive have implemented a number of "firm financial management" measures in an effort to prevent compulsory redundancies. These include a freeze on recruitment of full-time or part-time staff, a voluntary redundancy scheme to cut personal costs by 2 per cent by June this year with a further 2 per cent reduction by the end of 1995; suspension of pay negotiations with staff, to be "resumed when the union's central finances improve"; and an increase in membership subscriptions from January 1996.

Mr Lyons says he regrets the need for drastic action but insists "it is in everyone's interests to take this action to balance income and expenditure without delay."

The rise of the polite inquisitor

The Nolan committee into standards in public life ends its public hearings tomorrow. John Kampfner looks at what it has achieved

The setting is quintessentially British. In a low-ceilinged back room in Westminster's Methodist Central Hall, 10 men and women, the great and the good, have spent the past two months cross-examining politicians, civil servants, industrialists, journalists and academics. Rarely has a voice been raised. Politeness and understatement have been the order of the day.

Yet with the Nolan committee on standards in public life due to end its public hearings tomorrow, anxiety is mounting in government about the scope of the changes it is poised to recommend.

Mr John Major, the prime minister, set up the committee last October in the wake of allegations that some MPs were willing to question ministers in parliament in return for cash from businesses. He envisaged a panel that would advocate small-scale reform of parliamentary and ministerial procedure.

But the government has been taken by surprise at the rigour with which Lord Nolan and his colleagues have set about their task. The result has been a full-scale examination into the way Britain is governed. For all the demure behaviour, the British political

establishment has been on trial. The committee has confined itself to three main areas:

- MPs and their lobbying on behalf of outside interests.
- the private-sector jobs taken by many ministers after they leave the cabinet and
- the so-called "quangocracy" - the unelected non-departmental bodies which play a prominent role in the UK's political and economic life.

One of the first witnesses, Lord Blake, the historian of the Conservative party, described the current level of probity as the lowest since the Edwardian era which ended in 1910. Such comments helped set the tone.

After only three days, Lord Nolan said he would look into how to work an "independent element" into the regulation of MPs' outside interests and conduct. The message was clear - his report, due in May, would be no whitewash.

The committee is likely to conclude that retiring ministers will have to seek clearance from a panel of MPs and other public figures before taking up a job in the private sector. A "quarantine period" of two years is on the cards. MPs would also face more stringent procedures to ensure their

Commons work is not compromised by contact with outside interests. Such recommendations are seen as the bare minimum that is required.

Lord Nolan has gone out of his way to avoid discussion of individual misdemeanours. He has eschewed the pugnacity of Lord Justice Scott and his arms-for-Iraq inquiry, whose report, also due in May, is expected to cast doubt on the positions of a number of ministers.

Some Conservative backbenchers have become increasingly worried at the ease with which Labour has been able to capitalise on the issues stirred up by the Nolan committee.

The MPs include in that category the issue of top people's pay. This is not in the committee's remit. But the government's unconvincing handling of the matter has compounded the widespread perception that it is unwilling to take the lead in the current debate on ethics in government.

the committee has said it has received more complaints about Tory "placement" on health service trusts than on any other subject.

For the advocates of radical action - some of whom are on the committee - the government's reforms are too little, too late. Politicians, they argue, are subject to fewer controls than members of other trades.

A wide range of proposals has been put to the committee as it has gone about its work, some imaginative, some probably unworkable. One MP called for an all-powerful Ethics Registrar. Other witnesses have spoken of the need for an ombudsman to work alongside parliamentary committees.

Some have called for a constituents' charter, with benchmarks set for the number of constituents' complaints answered by MPs, the minimum waiting time in surgeries and the number of speeches or appearances in the Commons.

Others have called for parliament to be policed by an outside regulator, just like the privatised utilities are. The calls for MPs to be prevented from having any outside interests seem to have dissipated. Committee members



Lord Nolan: tough investigator of "sleaze" in political life

were awayed by testimony from MPs of all sides who argued that neither the experience, intellectual vigour nor probity of the chamber would be enhanced by cutting itself off in this way from the outside world.

Instead, the committee is likely to draw a distinction between giving advice to an outside client in an informal capacity and acting as an advocate. Advocacy would be defined as putting down parliamentary questions or arranging meetings with ministers. The government will not

have heard the last of the committee when it delivers its report in May. It has a remit to examine standards of conduct "of all holders of public office" and to make recommendations for "any changes in present arrangements which might be required" for a period of three years.

This should give these erudite arbiters of the nation's ethics plenty of time to cast their net more widely. The issues of patronage, the honours system and the funding of political parties may all in time come under their gaze.

Investors in new market win tax breaks

By Richard Gourlay

Stockbrokers and investors in private companies yesterday welcomed the government's decision to allow investors on the London Stock Exchange's new Alternative Investment Market to be eligible for a range of tax breaks on investments in unquoted companies.

Mr Loughlin Hickey, partner at KPMG, the accounting firm, said the decision was a "great boost for the market".

Sir George Young, financial secretary to the Treasury, told representatives of the Venture Capital Industry on Monday night that AIM companies would qualify for the tax reliefs when the market opens in June.

The reliefs, including inheritance tax relief, capital gains tax re-investment relief and reliefs under the Enterprise Investment Scheme and for investments in the new Venture Capital Trusts, are being made available to investors in other unquoted companies.

The decision removes an anomaly from the detailed proposals for the market which the Stock Exchange announced

last week. Brokers say that if the government had confined the tax reliefs to companies not quoted on AIM, many more companies would have chosen to remain off the market.

The government's decision comes as competition is heating up among European stock exchanges trying to set up markets catering for the special needs of dynamic young companies.

Following the London Stock Exchange's move, the Paris bourse announced on Monday its intention to launch a new stock market for small, fast-growing companies in Europe which it hopes to open at the start of next year.

A committee of the Societe des Bourses Francaises, which runs the French market, is expected to announce detailed rules of the market by the autumn.

The Paris Bourse is also part of a consortium including the US Nasdaq market, and the European Venture Capital Association which is working towards setting up its own Europe-wide market for internationally minded high-growth companies.

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BUSINESS AND THE ENVIRONMENT

Politics of a UN action plan

Peter Knight on the North-South split on environmental policy

The issue of how to produce and consume goods without fatally depleting the environment is being debated in earnest by governments and business as part of a United Nations initiative to develop practical policies on sustainable development.

A ministerial round table on the subject, held recently in Norway, generated a work programme which could be adopted by the UN Commission on Sustainable Development (CSD) in April.

Although the CSD - set up after the Rio Earth Summit in 1992 - has little clout within the UN, its decisions could nevertheless prove significant for business if taken up by member states.

This is because policies designed to encourage sustainable production and consumption will force radical change on industry. The UN has already brought about such change, for example, in the banning of CFCs and international agreements to reduce carbon dioxide emissions.

"The key question is how to incorporate the real cost of pollution and depletion into our classical economic indicators," Ritt Bjerregaard, the new European Commissioner for the Environment told the conference.

Some of the actions proposed in Oslo to encourage efficiency, minimise pollution and reduce the use of natural resources include:

- Incorporating environmental costs into the pricing of goods.
- Extending the responsibilities of producers for the environmental impact of their goods.
- Getting governments to operate environmentally sound procurement policies.

These proposals, while sufficiently radical for many in industry, are considerably softer than the change demanded by poor countries (referred to as the South) and their supporters in the non-governmental organisations (NGOs) in the rich North.

The South wants the North to sacrifice its high consumption patterns (OECD countries contain 20 per cent of the world's population and consume 80 per cent of its natural resources) and spread its wealth to the poorer

countries. The North does not support this argument at all.

"There is a growing confidence in the OECD countries that major changes in production processes and in consumption patterns can be achieved without threatening economic prosperity and standards of living," Bill Long, director for environment at the OECD told the conference.

"There is a new feeling that industry can get it right, that the most eco-efficient companies can also be among the most profitable, and that economic growth can be decoupled from levels of resource use and pollution," he said. This reflects the approach being taken by the World Business Council for Sustainable Development (WBCSD). It is trying to present the arguments in such a way that business will see proposed changes as an opportunity rather than a threat.

The presence in Oslo of ministers from China, Korea, the US and European countries, as well as delegations from the OECD and the WBCSD, shows that the rich countries are taking the matter seriously. But the debate is still locked in broader political issues and there are few practical suggestions on how to move forward. "The idea has built up a big head of steam, but there is very little substance," said one government adviser.

Long says OECD member states are committed to the issue. "There is a mind set in our organisation and among others to help us move ahead. But there is a chance that it could all break down in North/South politics."

As if to support this fear the International South Group - brought to Oslo with all expenses paid by the host nation - issued a statement at the end which accused Norway of using the group's presence to "add legitimacy to the Oslo process".

The statement continued: "It is clear that the captains of industry and the power holders of the global system have managed

... to legitimise the continuous pillage of the world's people and its resources ... nothing has changed, nothing will."

Haig Simonian on the potential offered by supercritical water treatment of sewage

Alchemy of sludge

Putting waste to good use

Sewage sludge may never smelt as sweet as fresh roses. But its potential qualities should not be dismissed, whatever its olfactory defects.

More than 900,000 dry tonnes of sewage were produced in England and Wales last year. Its composition varied depending on local dietary and household activities and, to a lesser extent, industrial and commercial discharges.

Between 50 per cent and 75 per cent of the dry matter was organic, 5-10 per cent was grease and the remainder comprised inorganic compounds such as nitrates and phosphates.

Just over half was used as fertilisers in agriculture. Of the remainder, 22 per cent was disposed in the sea, 11 per cent used as landfill while 9 per cent was incinerated.

Both landfill and sea dumping are environmentally controversial and increasingly expensive. Germany has restricted landfill of organic compounds; other countries are thinking along similar lines. Even where landfill is still permitted, higher standards mean that prices have climbed. Landfill is also limited by the number of suitable sites.

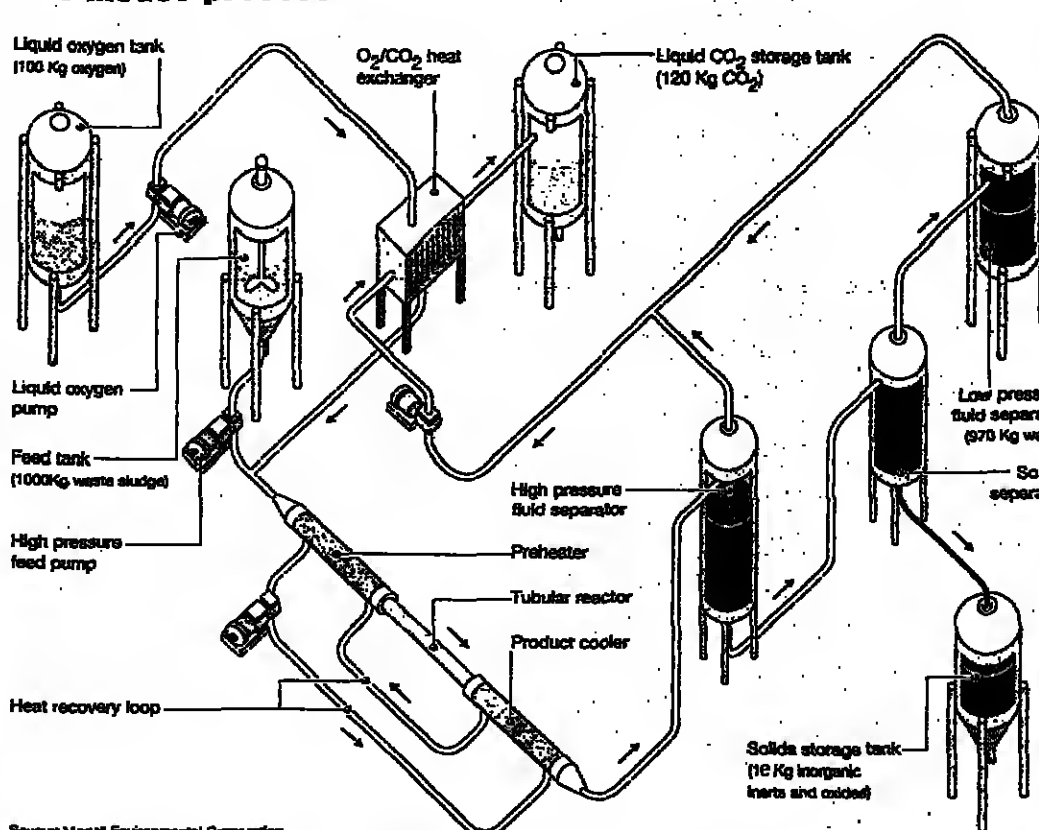
Dumping at sea, meanwhile, is being restricted because of environmental concerns and ocean treaties and is being phased out in many countries.

Some utilities, such as the UK's Yorkshire Water, are turning to incineration. With the latest combustion technology and suitable scrubbing filters for fine gases, sludge can be burned without releasing toxic dioxins to the atmosphere. Incineration can also produce steam for local heating or electricity schemes.

The drawback is the cost. Incinerators only make sense in urban areas. Elsewhere, transport charges and the environmental impact of frequent sludge deliveries make them uneconomic and unattractive.

Environmental concerns over incineration have also made planning procedures cumbersome, and few residents want an incinerator in their backyards.

The Modex process



Source: Modex Environmental Corporation

a long, three-stage reactor tube. It is there that the supercritical water breaks the raw material down into simpler chemical oxides. After heating and cooling, the by-products are clean water, clean carbon dioxide gas, and in the case of sewage sludge, an odour-free brown powder. As the system is completely sealed, there are no other emissions.

Modell believes there are dozens of applications. Sponsorship for the pilot plant came from the Baden-Württemberg state government and three German pharmaceutical companies seeking new methods of tackling their wastes. Normally, their residues would be burned in high-temperature incinerators. But obtaining planning permission for these has become increasingly difficult in Germany because of concerns about emissions of dioxins, which may cause cancer and birth defects.

The US defence department has financed research for its huge stock-

piles of chemical weapons, while other potential users include pulp and paper mills and chemicals companies, which must deal with contaminated aqueous waste flows.

Modell believes sewage treatment offers the most commercially interesting application, especially in Europe. "Supercritical water oxidation is cheaper and more effective for dealing with sludge than any alternative," he says.

Modell argues that the technique costs half as much as incineration - at \$250-350 per tonne compared with \$450-650 for combustion (including costs of stack scrubbing).

But does it work? The Karlsruhe pilot plant has been running since May 1994 and has processed up to 1,500 litres of aqueous wastes a day. It has provided engineering and design data for building a full-scale commercial unit. So far, destruction efficiencies (rates of eliminating unwanted substances)

have exceeded 99.99 per cent.

But it must prove it can run continuously for at least 120 hours without building up significant deposits, says Horst Krause, head of high-energy systems at the ICT.

"The chemistry works, but there are still some hurdles," he says. A dour scientist, Krause will be tough nut to crack. Modell is confident his brainchild will work smoothly, especially with new cleaning techniques that scrub out its heat exchanger without stopping production.

If Krause and his colleagues are convinced, the future for supercritical water oxidation could be rosy. Endorsement from the ICT would be a powerful marketing tool in Modell's plans to obtain additional development finance. It would also help to persuade the pharmaceutical companies to build a demonstration plant at one of their sites.

Modell hopes to float his company by 1997. If all goes to plan, it could be worth its weight in gold.

CONTRACTS & TENDERS

AN INVITATION FOR PRODUCTIVE INVESTMENTS IN THE ANCIENT PORT AREA OF GENOA

The Genoa Town Council hereby gives notice that the joint-stock company "Porto Antico Genova" will lease the port area, prepared for the Columbus exhibitions in 1992, for a new, integrated use with city life. Briefly this is:

- a total area of 150,000 sq.m., 65,000 sq.m. of which usable buildings;
 - 70,000 sq.m. stretch of water with boat moorings.
- The existing areas consist of:
- for 15,000 sq.m., an international aquarium, already operating, which registered 1 million visitors in 1994;
 - for 32,000 sq.m., buildings reconstructed by the architect Pierro Pivano, formerly used as cotton warehouses;
 - for 6,000 sq.m., four reconstructed 17th century buildings;
 - for 7,000 sq.m., a modern building adjacent to these;
 - for 5,000 sq.m., with a deck of 3,000 sq.m., "Nave Italia", a naval structure anchored at the jetty;
 - open spaces destined for public displays and shows.

A congress centre - already operating - has been realised in the former cotton warehouses and has a conference hall seating 1,500. The rest of the former cotton warehouses, not occupied by the Congress Centre, is divided into 8 units each of 4,000 sq.m. on four floors.

The company "Porto Antico Genova" will grant the available spaces, at market conditions, to those who are willing, under contract, to undertake the realisation of one or more of the following objectives inspired by the global strategy:

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Parties interested in realising initiatives within the above mentioned strategic organisation can, within 20 days of the publication of this notice, write to or fax:

Porto Antico Genova S.p.A.
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The letter must indicate the general lines of the proposed project and any other element which could be useful for a preliminary selection of the initiatives considered worthy of further examination with the proposer, in such a way to subsequently reach a final decision, the method to be based on the maximum transparency, which will be made according to the irrevocable judgement of the company "Porto Antico Genova".

If considered necessary, further information and illustrative documentation can be requested by fax from "Porto Antico Genova", the above mentioned deadline, however, is still to be observed.

A reply, whether negative or provisional, will be sent to all candidates by April 30th 1995. The candidates already sent to Porto Antico do not necessarily have to be represented as indicated above, unless the interested party wishes to supply further information.

P.S. For reference, it is hereby specified that the rental market presently values the areas at LIT 150/250,000 per sq.m. annually, relative to the position and the type of building. Utility costs and ordinary maintenance fees are to be added to this sum.

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- The interested parties are invited to submit their bids in writing within 15 (fifteen) days from the day of publishing of this tender, to the address of:

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Cesta h.h.
Kaštel Sucurac
Republic of Croatia

with notice "for the tender for sale of shares".

- The buyer is asked to submit, besides the price and the conditions of payment, the acceptance of the following obligations:

- That within 5 (five) year he shall invest in environmental purification, in advanced technologies and in modernisation of equipment of the three cement factories with appertaining mines, in accordance with the Programme of "DALMACIACEMENT" d.d. a sum total of 120,000,000 German marks (one hundred and twenty million), provided at least 20,000,000 (twenty million) German marks is invested per year.
- That he shall accept the Programme of "DALMACIACEMENT" d.d. regarding the social protection of the surplus workforce.
- That he shall not reduce the production capacities and that he shall guarantee a certain level of production.

Preference in the Tender is to be given to the party that grants at disposal of "DALMACIACEMENT" d.d. a loan amounting of up to 15,000,000 (fifteen million) German marks.

The documentation regarding this tender may be obtained at the Offices of "DALMACIACEMENT" d.d. Kaštel Sucurac, Cesta h.h. on working days from 9.00 a.m. to 2.00 p.m., within 15 (fifteen) days from the day this tender has been published.

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FINANCIAL TIMES SURVEY

International Conferences & Exhibitions

Wednesday February 22 1995

A spate of new building projects is getting under way as the industry, with its confidence renewed, prepares to meet the needs of ever more demanding customers, writes Diane Summers

Showing signs of recovery

As the conference and exhibitions business starts the long climb back to health, it has become clear that the recession, as in many other sectors, has etched permanent changes in the landscape. Simply put, the customer now expects more bang for the buck, and is likely to continue to do so, even if expenditure on events carries on rising.

As in all areas of marketing communications spending, the emphasis is increasingly on the measurement of effectiveness, targeting and accountability. Clients feel confident about demanding greater quality without necessarily paying a higher price.

Business certainly does appear to be picking up worldwide and renewed confidence, plus customers' changing technological needs, has resulted in a spate of vast building projects.

In the US, for example, the largest convention centre, Chicago's McCormick Place, is scheduled over the next two years to expand by a third. The centre, which hosts among other events, the Chicago Automobile Show, with over 1m guests, is booked almost solid for five years, and has reservations to the year 2010.

The development of Asia-Pacific economies has meant that events are increasingly likely to be held in that region. International exhibition and convention visitors to Australia, for example, rose by 28 per cent last year. Sydney's Darling Harbour centre is operating flat out to accommodate exhibitions, and there are proposals for new building which would double floor space.

Hong Kong saw a 48 per cent increase in the number of corporate meetings held in 1992 (the latest year for which figures are available), while

attendance at trade shows was up 23 per cent that year. The government has earmarked HK\$4.8bn to extend the Hong Kong Convention and Exhibition Centre on Hong Kong Island. Meanwhile, in Singapore, a \$860m International Convention and Exhibition Centre is about to open.

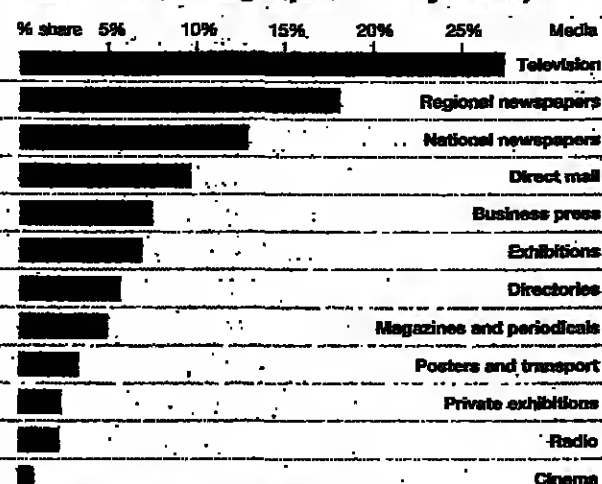
In Europe, London Docklands hopes to be able to compete more vigorously with other European centres by 1998, when the first £100m phase of an exhibition and conference facility is due to be completed.

Worldwide figures for the conference and exhibition industry are not collated, but in Britain, for example, the Incorporated Society of British Advertisers, which has been collecting exhibition expenditure data from its members for 25 years, reports that spending by British companies was up 12 per cent to £630m in 1993, the latest year for which figures are available, after having fallen by 11 per cent between 1989 and 1992.

Research conducted for Confex, the meetings and events exhibition which opened at Earls Court, London, yesterday indicates that 29 per cent of organisers have spent more on conferences during 1994 and 22 per cent have increased their spending on exhibitions.

The industry's fortunes have shown themselves to be "late cycle" in most countries, with recovery generally following 18 months or so after the wider pick-up in the economy, according to Mr Neville Bach, chairman of Blenheim, one of the largest exhibition organising groups. The company was particularly badly hit in France, where the amount of space being booked for exhibitions has declined by over 20 per cent in the past two years, he says.

Total UK advertising expenditure by media, 1993



Source: ISBA exhibition expenditure survey 1993

The time lag is particularly pronounced in those sectors where exhibitions and related conferences are held only every two years, for example agricultural machinery and electronic components. Here, it may take a full four years for recovery to become apparent. But in other sectors which are closer to the high street and have records of high product innovation, such as information technology and clothing, the pick-up has been faster.

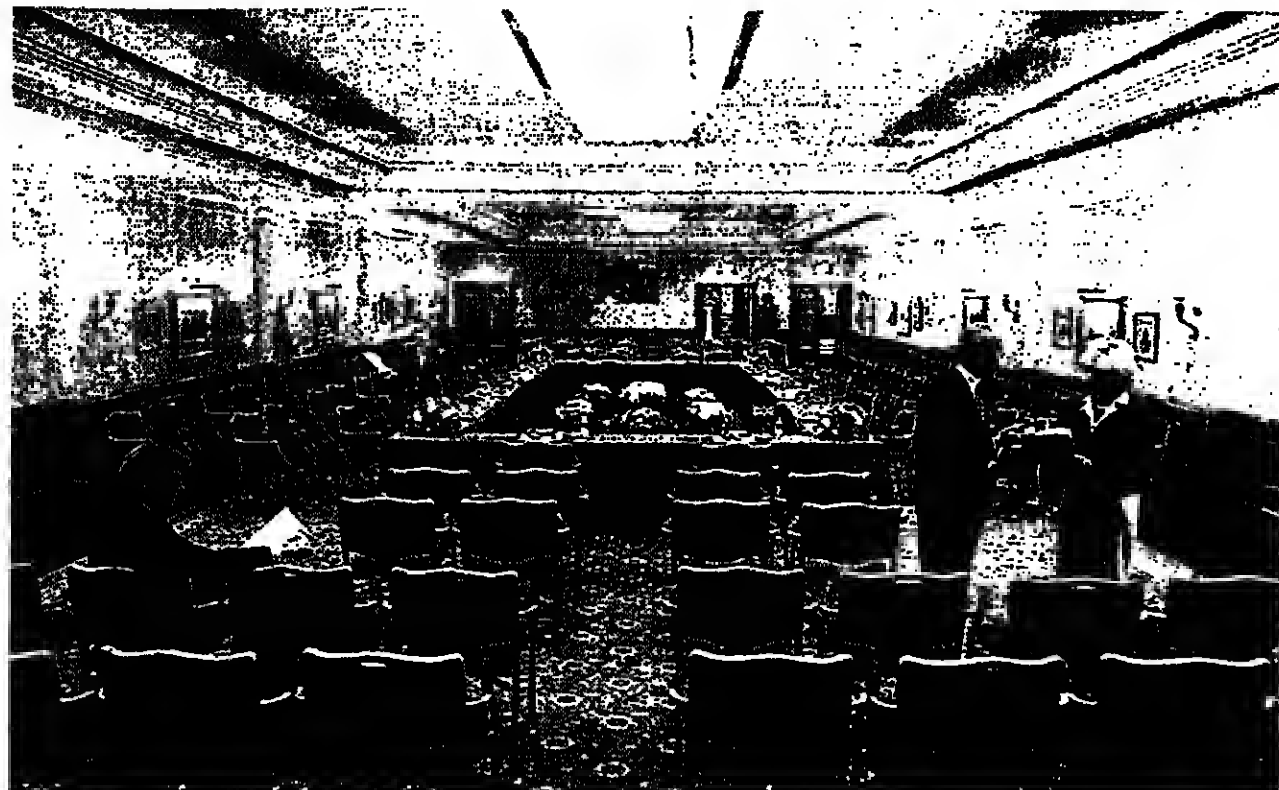
Hotels, too, are beginning to report improvements in conference business. For example, Mr Alex Stuart, UK southern operations manager of De Vere Hotels, says that about half of all bookings are currently for conferences. Five years ago up to 85 per cent of all business was conferences, dipping to 35 per cent or so during the leanest times.

While those who argued that the exhibition and conference sector would be relatively impervious to recession have

been proved over-optimistic, it appears that the sector is continuing to take market share from other media in the UK. However, it may have achieved its full potential in some countries, including Germany and the US. A decade ago the sector accounted for about 4 per cent of all promotional spending in the UK, a figure which has climbed to just under 10 per cent.

Says Mr Paul Swan, group managing director of Spectrum Communications, one of the largest corporate event producers in Europe: "We have a number of clients who have taken money out of advertising budgets and handed it to us for conferences and exhibitions. With limited money to spend, they realise that, in certain circumstances, it's possible to achieve far greater effect by spending on a highly-targeted event than on advertising."

Indeed, in some emerging markets the exhibition may be the only way for suppliers to



The Hyde Park suite at London's Mount Royal Hotel. Conference business is once more on a rising trend in UK hotels

reach potential customers because there is often no established trade press, says Mr Buch. In Moscow, for example, there are currently seven or eight building exhibitions each year, although it is expected these will consolidate to one or two over the next five years.

The importance of the company conference to motivate staff, effect organisational change and communicate the corporate message has become increasingly recognised, says Mr Swan. The greater the part played by computers in management - many field sales forces, for example, now communicate with their supervisors largely by electronic mail - the greater the need to gather in person from time to time to emphasise that everyone is "in the same team, on the same mission," he says.

For sales forces, in particular, the conference may con-

tain a high incentive element. The "jolly", perhaps to an exotic location, has certainly been scaled down in recent years. It is poor public relations to take some of the workforce to, say, Hong Kong, while making others redundant.

But, as sales forces themselves have been slimmed down, the issue now becomes how to motivate those staff who are left, and the incentive conference is starting to reappear. Says Mr Swan: "We have run a number of conferences recently where the message has been 'If you're in this room now, you are part of our future.'"

Ways of making such incentives more affordable include scaling down the size of conferences, making them shorter and picking economical locations. The trend for all types of conferences is for them to be held over fewer days.

Mr Mark Wallace, whose company Mark Wallace Associates focuses on the production

of smaller conferences, is finding that Spain and Portugal are particularly popular destinations for sales events, and that longer-haul flights are still being eschewed on grounds of economy.

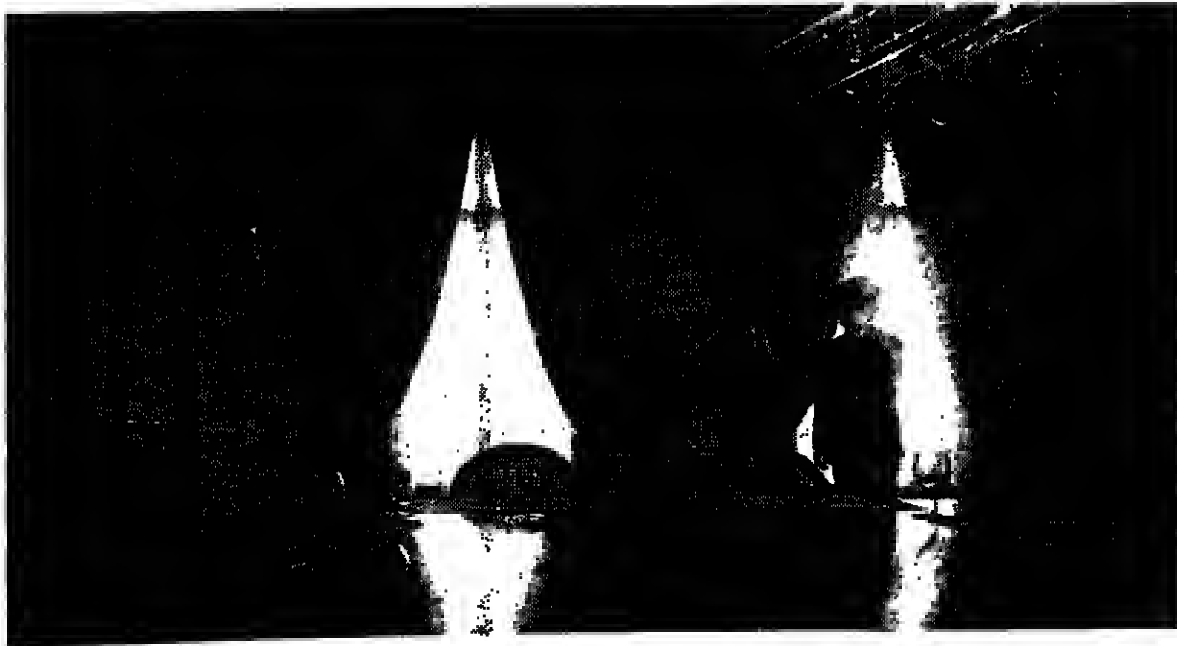
Companies also seem to have cut down permanently on food and drink at conferences, according to Mr Stuart. "Alcohol is definitely out at lunchtime now. On food, about four years ago, at association conferences you'd stuff them silly at lunchtime and then in the evening you'd give them a massive five-course meal," he says. Now it's a two-course lunch, and the cakes with afternoon tea and biscuits at the coffee break have largely disappeared.

There have been permanent changes, too, in the exhibition sector, says Mr Reg Best, exhibition specialist at the Incorporated Society of British Advertisers. During the recession exhibitors reduced their participation in events, took less

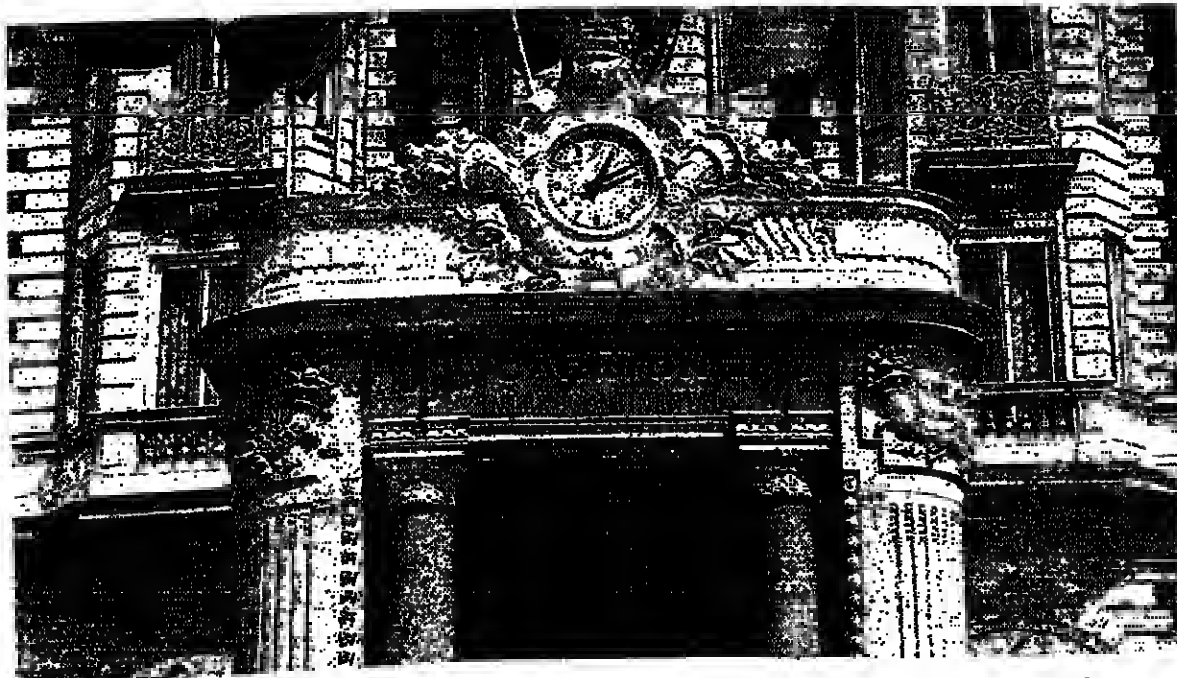
space, increased their use of modular displays which could be reused, and drove down rates by making their bookings later and later. In his view, customers will retain their power to negotiate as the recovery proceeds and there will be no return to the kind of price inflation which hit all advertising media during the 1980s.

There has also been a decline over recent years in the large industrial exhibitions covering, for example, mining and offshore drilling and a move to smaller, specialised events. At the same time, consumer and leisure exhibitions - catering for skiing, holidays and other leisure and home activities - have seen growth, as have private exhibitions held in showrooms, shopping centres and stores. Information technology and the impending "information superhighway" are the other obvious areas for continued exhibition development, says Mr Best.

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INTERNATIONAL CONFERENCES AND EXHIBITIONS II

Tim Burt spotlights the more attractive sites for big international events

Where Britain is lagging behind

Turku, the wintry Baltic Sea port, does not spring to mind as a leading conference venue. Against competition from the likes of Aalborg, Venice and Strasbourg, most conference delegates would probably not be able to place it, let alone rate it as a worthy destination.

The Finnish ferry hub, however, not only attracted more international conventions than those exotic locations but also outperformed self-proclaimed conference leaders such as Birmingham, Toronto and San Francisco, according to last year's venue survey by the International Congress and Convention Association.

The association, which compiles information on international meetings attended by more than 100 delegates, also placed Finland among the world's top 15 countries in terms of the number of events hosted in 1993.

Although distant locations including Havana, Stresa in Italy and Chiba in Japan have all joined the ICCA's league tables in recent years, the convention business continues to be dominated by western European cities which have invested heavily in modern conference centres and can rely on lasting popularity with delegates.

Market leaders such as Vienna and Paris owe much of their success to repeat business from international associations which

decide where to hold their conferences on strict criteria, says Mr Dick Ouwehand, secretary general of ICCA.

Conference organisers are influenced by the infrastructure of the host country, political and economic stability, safety, availability of an international airport, and direct and comfortable connections with the [convention] centre and hotels.

It should be no surprise, therefore, that the US attracted more than 170 international association meetings in 1993, compared with just one in Bosnia-Herzegovina.

The ability of less developed venues to attract leading events has also been hampered by a widening gap between the "haves" and "have-nots". While cities from Adelaide to Zaragoza try to establish themselves as credible alternatives, their efforts are being overshadowed by spectacular building schemes in richer locations.

Singapore, for example, hopes to lure more international conferences to its new

\$960m International Convention and Exhibition Centre, due to open next month. Hong Kong, similarly, has unveiled plans for a HK\$5.5bn extension to its convention centre, while Osaka has opened the doors of the \$1.3bn Asia Pacific Trade Centre.

Unlike many older conference venues, particularly in Europe, these new "super complexes" promise interlinked exhibition halls, high technology auditoriums and large hotels.

"Convention centres have to provide more technologically advanced services and that requires heavy investment," says Mr Roger Beadle, vice-president in charge of sales at the Los Angeles Convention and Visitors Bureau.

Although the city has spent \$500m expanding the LA Convention Centre, plans for further investment could be hampered by budget constraints on local authorities in southern California.

In the UK, meanwhile, conference organisers warn that the absence of such con-

vention centres with dedicated hotels could drive away big international events.

Ms Penny Thomas, sales director of Banks Sadler, one of the country's leading conference venue finding agencies, says: "The UK is pretty poor compared with other countries. We have the ICC [in Birmingham], Harrogate, Bournemouth and Brighton. But these centres are not residential."

"There's a tremendous shortage of residential locations for commercial clients running conferences with more than 250 people."

Her views are echoed by Mr Peter Rand, chairman and chief executive of the Rand Group, which organises 3,000 conferences a year in the UK and overseas.

"There's greater demand for larger hotels than the UK can supply. There are only a dozen hotels outside London that can accommodate conferences of more than 300 delegates and it's not sufficient. The same is true in continental Europe."

Nevertheless, the UK's non-residential

conference business is buoyant with more than £150m invested in new centres in the past two years, including £38m on the Edinburgh International Conference Centre and £28m on the Belfast Conference and Concert Centre.

Investment in such centres reflects rising bookings from exhibition organisers who are preparing to stage more events as UK companies increase promotional spending after cutting back during the recession.

"Forward bookings are looking very encouraging; it's a good indication that overseas trade is picking up," says Mr Brian Rushbridge, director of the Association of Exhibition Organisers.

Despite misgivings over hotel capacity, the UK appears to be winning a steady amount of business. Indeed, it is ranked second in the ICCA's league of countries staging most events.

The popularity of cities such as London and Edinburgh should guarantee a steady flow, irrespective of newer facilities out-

side Europe, according to Ms Ghislaine de Coninck, head of the congress department at the Union of International Associations (UIA).

With almost 90 per cent of conferences organised by UIA conducted in English, UK cities should have a head start in bidding for events.

London is a leading destination because of that, and has been for 10 years," she says.

In a bid to retain that market dominance, the London Docklands Development Corporation has drawn up plans for a £100m exhibition and conference centre close to the City airport, while a rival group is planning a west London convention complex to supersede Earls Court.

Such developments are essential if cities such as London are to fight off the challenge from rivals in south-east Asia and North America.

As they are completed and draw bookings from conference organisers, it should polarise the venue business into a super league of cities which have invested consistently in new facilities. They are expected to dominate the industry, with only niggling competition from less developed locations.

"There may be a place for towns like Turku in this business," says one conference organiser. "But I doubt they will stay in the big time for long."



The Chewton Glen Hotel on the Dorset-Hampshire border. *Tim Burt/Hampshire*

With the ebbing of the recession in Europe and the US, hotels report a welcome recovery in the conference market over the past 18 months.

Travel budgets were one of the first items to be cut during the recession and only 6 per cent of room nights sold in major UK cities were conference-related in 1991, according to Pannell Kerr Forster Associates, management consultants, compared to 11 per cent in 1993. Last year, UK hotels derived 254m of their income from the conference market.

The effect on the market is evident, however, with conferences tending to take place over shorter periods than before, while cost-consciousness is high on the agenda. "The main demand - and it seems to be the message on the 1990s - is value for money," says Ms Claire Drew, manager of logistics at Spectrum Communications.

Conference organisers have a wide choice of hotel venues among which to search for value. But since high standards of service are also demanded, the balance between price and service can be hard to strike. One choice available to organisers is to seek out the smaller, often independently owned out-of-town hotels, rather than the

large hotel chains.

Mr Peter Rand, chief executive of Peter Rand Group, the conference placement service, says one advantage of smaller hotels is that they can be taken over by the conference. "If you have a conference for 20-30 people in a 300-bed city hotel, a lot of other activity is going on which can make getting service for unplanned events - such as changing the lay-out of a room at short notice - more difficult than in a small hotel," he says.

Some of the theoretical advantages of large hotel chains - such as the ability to provide set levels of service and accommodation - are not evident in practice according to some organisers. "If you are organising a road show, you could buy every hotel from one chain to increase your bargaining power but the standard of hotels can be very different," says Ms Drew.

"A large chain doesn't necessarily give consistency," says Mr Ian Harvey-Piper, technical director at Technovation, which provides technical ser-

vices to conferences. "For example, the Birmingham Metropole is of a much higher standard than the London Metropole."

To get around this problem, some chains, such as ITC, have set up smaller hotels. Hilton International and Jarvis Hotels, the privately-owned UK group, offer service guarantees or money back while the Inter-Continental chain, which relies on business travellers for 80 per cent of its business, has a reputation for understanding the needs of the conference market.

The Worcestershire-based Meetings Industry Association says that organisers of small-scale events tend to prefer out-of-town hotels but that city hotels have the advantage when numbers above 100 are involved.

Its research also shows a relationship between the location of the hotel and the type of event. Sales conferences, training courses and management meetings prefer out-of-town hotels but the city centre is a clear favourite for product

launches and annual general meetings. The overwhelming majority of organisers - 80 per cent - choose a geographic location before selecting a hotel.

There can be disadvantages to the smaller hotel. Many do not have dedicated business centres, which are increasingly demanded by delegates. They can also struggle to provide syndicate rooms whereas large hotels tend to have purpose-built conference rooms, which can be easily split up into meeting rooms.

The lack of standardised accommodation can also be a problem. Ms Lesley Cliff, managing-director of Meeting Point Conferences, says the quality of bedrooms in some small country hotels varies considerably, which can upset some delegates.

She also says that the tight margins on which small hotels tend to operate can also make it difficult to cut a good deal, whereas the chances of negotiating a big discount is greater with large hotels. While this may be true of an agency

which is doing a lot of business with a chain of hotels, Mr Harvey-Piper says that smaller hotels are more likely to give a discount for a one-off event than a large hotel.

Where out-of-town hotels come into their own, however, is in the incentive conference market. Many companies have had to cut back on incentive travel, according to Mr Mark Batey, a director at Purchasepoint, the marketing agency, and can no longer afford both conference-related activities and incentive holidays. They are therefore tending to combine the two by holding conferences in stylish hotels in desirable locations.

French chateaux fall into this market as do destinations such as Barcelona - currently one of the most popular - Cannes and Sydney. Cyprus is hard to beat in terms of value for money, says Mr Batey, with a good standard of hotels and leisure facilities. In the UK, Hanbury Manor, set in 25 acres of Hertfordshire countryside, which boasts gourmet cuisine and a hell-pad, is recommended by many organisers as are Chewton Glen and Tynney Hall in Hampshire and Glencairn in Scotland.

To compete with the large chains, small hotels must have the health club facilities now regarded as standard by delegates. They also need to make themselves known, and many band together as a marketing exercise. A central reservation facility is also a big help.

Small Luxury Hotels of the World has a central reservation system while Relais and Chateaux says one should be available by the end of March. "The demand for technology has become increasingly important. We often go to hotels to see if their bedrooms have computer lines so that delegates can use their e-mail system," says Ms Drew.

"Some hotels provide business TV links which allow the delegate to switch on to a certain channel and see the conference agenda. The same system may also be used to transmit a corporate video."

In the end, the choice of hotel venue depends on the type of conference being held and the budget available but many organisers say that it is still often being unnecessarily restricted by the continued prevalence of holding conferences at relatively short notice.

Scheherazade Daneshkhu looks at where to stay

Hotels see welcome recovery

World's top venues: Chicago

A site that's big enough

Most of the 33m pounds of equipment that the Association for Manufacturing Technology hauled in for its 1994 show was so large it had to be installed with cranes, according to Mr Elwood Hasemann who has run the association's shows since 1981. He had no doubt about where to find a hall big enough to handle his show: Chicago's McCormick Place.

"We're a heavy machinery show," he says. "McCormick is the only place that can handle our show."

Perched on the shores of Lake Michigan, McCormick Place is the largest convention centre in the US and is due to grow by nearly a third in the next two years. At present the centre comprises two buildings with a total of nearly 1.5m sq ft of exhibition space. The new South Building, scheduled to be completed by February 1997, will add another 870,000 sq ft, bringing the total square footage available for exhibits to nearly 2.4m.

Indeed size, while one of its virtues, can also be one of the centre's flaws. "It can be very cold and very big," says Mr James Sobczak, director of convention services.

It is a problem Mr Sobczak and his colleagues at McCormick Place are working to address. "We've taken great pains to make ourselves warm and fuzzy," he says.

To accomplish that, they have spent \$50m on new carpeting and decorations for the lobbies and have added signs to help visitors find their way from one hall to another.

Mr Hasemann says he has

avoided problems that might arise from the hall's overwhelming size by dividing his group's shows by product type "so it is like a whole series of shows under one umbrella".

In addition to its size, McCormick Place offers high-tech options for exhibitors including fibre-optic cable that allows for the rapid transfer of information.

The Radiological Society of North America used the fibre-optic technology to demonstrate how pictures produced by a magnetic resonance imaging machine could be sent to doctors at remote locations.

"The world is becoming very technologically advanced and the fibre-optic cable is the thing that has been most helpful to exhibitors selling their products," Mr Sobczak says.

But as important as size and technology are the basics such as sleeping, eating and parking. The latter is cheap and ample, the other two come at a price but are widely available.

The only time parking can be a problem is during the Chicago Automobile Show, which hosts about 1m people over 10 days. For most conventions, the centre's four parking lots with 12,000 spaces, each costing \$8 a day, more than suffice.

For those who do not want to drive, McCormick Place is about a 10-minute bus or train ride from downtown. In those bitterly cold winter days for which the Windy City is famous, the best way to get there may be on the commuter rail which runs from underneath the centre to an enclosed complex that has three hotels

in addition to shops and restaurants.

If neither buses, trains nor cars are the preferred form of transportation there is an airfield for corporate aircraft adjacent to the halls.

A hotel room in downtown Chicago is less expensive than in New York, but not by much. The average single room at a corporate rate costs \$160 a night, which is less than the \$210 that might be needed in New York, but not as cheap as a stay in Los Angeles, according to Runzheimer International, a travel management and consulting company. Runzheimer calculates that three meals in Chicago would cost about \$50 a day compared to \$79 in New York.

Like New York, Chicago is

loaded with activities for convention visitors wanting to take some time off and explore. The city is famous for its natural history museum; it boasts professional football, basketball and baseball teams for those wanting to attend a sporting event.

But getting a date at McCormick Place is not necessarily easy. Already, sales people are booking conventions and shows as far away as 2010. Mr Sobczak says the existing buildings are close to booked solid through the next five years in part because many groups rebook year after year. "About 70 per cent of business is repeat business every year on a regular pattern."

Lisa Branstetter

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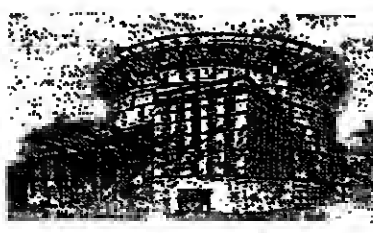
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INTERNATIONAL CONFERENCES AND EXHIBITIONS III

Harriet Arnold looks at how the big international shows are constantly adapting to new circumstances

There's always room for improvement

His heartfelt recollection by one regular exhibitor and visitor of her fraught participation in past big international shows would pain and surprise organisers and exhibitors of today's trade events.

Behind the modern, well-honed equivalents of all the excitement and dazzling arrays that have characterised fairs since the middle ages, impresario-like organisers are attempting to complete the transformation of their sprawling shows into tightly managed business forums.

But the biggest room in an exhibition will always be room for improvement. Maintaining success is a constant struggle. As Trade Show Week, US magazine, observes of its ranking of the top 200 US trade shows: "Sometimes a large show can become unwieldy and that has serious repercussions... It takes a highly trained staff to manage the logistics of a mega show and satisfy the expectations of exhibitors and attendees."

One route round that, says Mr Staffan Svanby, group managing director at leading exhibition organiser Blenheim Group, is to have the "flexibility to act as a broker" between the exhibitors and buyers. "So long you can satisfy the industry, competitors will be confined to small niche activities," he adds.

Mr Peter Cole, publisher of UK-based Exhibition Bulletin magazine, warns that shows must "make sure they don't leave a niche that becomes set up by someone else as a rival attraction. The successful shows are the ones that are

moving and reshaping constantly."

Exhibitions 25 years ago were huge spectacles that crammed venues just once or twice a year. They are still big, but they are now aligned with separate industry sectors - their unofficial motto seems to be "business focus" as they slough off their traditional PR function.

CeBIT, the huge Hanover information technology exhibition, split from its parent, the general industrial Hanover Fair 10 years ago.

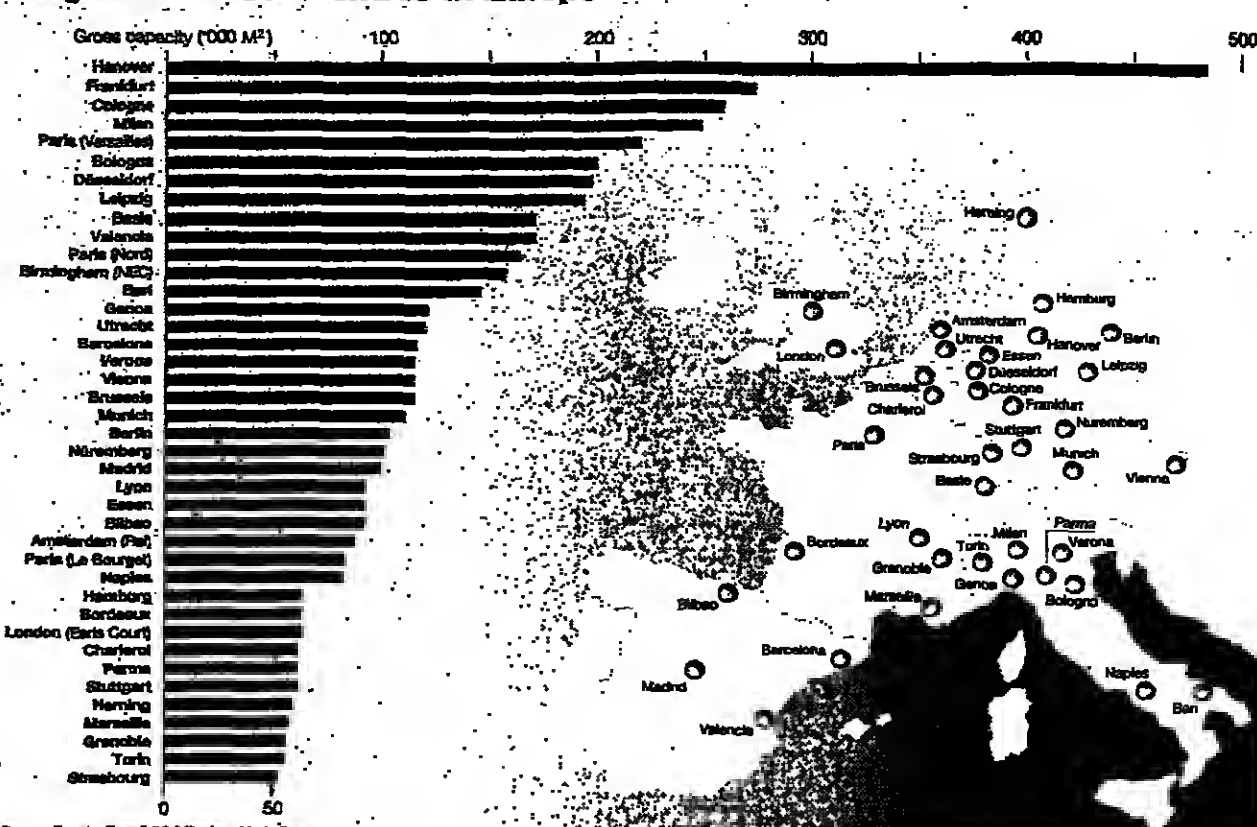
A typical device for developing an industry forum is showcase schemes. This year at CeBIT, for instance, virtually the whole Australian communications and IT industry will take part in special stands and related conferences, lectures and workshops, says Deutsche Messe, the state organiser.

Organisers must give much more than entrance through a door, says Mr David Regier, UK managing director, Blenheim Exhibitions and Conferences. He cites education, debate and special promotions as functions of a leading exhibition.

The key to a successful big show, says Ms Fiona Jeffery, exhibition director of Reed Exhibitions Companies' World Travel Market, "is a good event in the first place plus talking closely to the industry - the closer you are the better."

WTM is probably the biggest annual gathering of the tourism world at senior manage-

Largest exhibition centres in Europe



ment level, at London's Earls Court. It too has "created focuses within a bigger event." For example, top buyers have a dedicated preview day; they are pre-registered, given a list

of exhibitors and encouraged to make appointments beforehand. This is welcomed as "very worthwhile" by Mr Peter Haworth, of the East Asia Travel Association.

He adds that WTM is "probably the best of its kind in the world" because it is trade-only and "is guided by participants". WTM has developed two

spin-off niche regional events, Arabian Travel Market and Asia Travel Market. "The Middle East wasn't well-positioned but had a good product, which needed to be

sold," explains Ms Jeffery.

Montgomery Exhibitions this year celebrates the centenary of Interbuild, which claims to be the largest building and construction exhibition in the English-speaking world. In 1991 Montgomery "radically reshaped" Interbuild's layout at Birmingham's NEC, for instance, by establishing "focused product sectors" within each hall, explains Mr Christopher Newton, Montgomery's managing director. "We now provide non-commercial areas of editorial displays, features and seminars - Forums - to provide more technical and industry knowledge."

The US's largest trade show by far is Comdex/Fall, a sort of computing festival that takes place in Las Vegas's Convention Centre and Sands Expo and Convention Centre. It has 13 miles of exhibition aisles and up to 200,000 visitors; many participants report "simply amazing parties, gossip and deals". But it is also where Mr Bill Gates, the Microsoft chairman, is likely to outline his next visionary move.

Mr Peter Shaw, vice-president of marketing at The Interface Group, Comdex organiser, says: "We keep vital by ensuring that we are reflecting what is new." For example, the first showcase on the infant multimedia trend was small but "very visible," he says. "Now it has been transformed into a showcase of around 600 exhibitors."

To help the visitor, Interface produces a show guide and provides a comprehensive newspaper-type guide featuring scheduled announcements. There is an electronic version of the guide with a wordsearch function. A daily newspaper lists key events and provides a news round-up.

The giftware International Spring Fair and its sibling Autumn Fair at the UK's NEC have had to cope with strong diversification by exhibitors in the 1990s. The show has tried to reflect this, says Mr David Metcalfe, managing director of organiser Trade Promotion Services. "and in a sense, it now has lots of exhibitions under one roof." Related exhibitions run alongside the main Autumn Fair.

This develops, says Mr Metcalfe, the "bonus buyers" - the cross-over audience that comes from exhibitions within a show working together and "feeding off each other". His problem - as for organisers at venues the world over - is that "the NEC is of a finite size - the International Spring Fair could be much bigger."

Mr Paul Masson, marketing director at Viner, the UK-based cutlery company, welcomes the moves made by TPS. But adds that there is also a role for smaller, more select exhibitions. "All the big customers are going to come to the big shows - but so is a lot of through traffic."

Mr Mike Agostini, who runs the UK-based Exhibitor Club, complains that "everyone gets booked on the numbers game" leading to unrealistic expectations. "What organisers should be saying is not that exhibitors are going to meet 20,000 people, but that they are going to have 300 business meetings," he says.

World's top venues: Sydney

User-friendly advantages

Mr Tom van Amerongen, who runs Sydney's Darling Harbour convention and exhibition centre, sits in a modest backroom office while the harbour sparkles outside. "We have two drawbacks," he says simply. "The city of Sydney and the facilities. It's in that order - the city is first."

Peer through the window, and it is easy to see the logic of Mr van Amerongen's argument. Not only does Sydney have huge natural advantages - the harbour, generally excellent weather, good surrounding attractions - but it is a functional city, spared the population pressures of Asian centres and, for the most part, extremely user-friendly.

Moreover, the Darling Harbour centre, the dominant exhibition and conference facility, was developed only in the late 1980s, and has carefully built on these advantages.

For example, when the publicity blurb talks of five-minute access to the central business district in which many of the city's larger hotels are located, it is not actually pushing the point.

Sydneyers may detest the overhead Monorail which runs round Darling Harbour into the main shopping centre. But for a conference delegate, who wants to burble to or from hotels and restaurants, it is a big boon. Even a taxi ride from the CBD to the centre costs no more than \$5-7. Better still, the distance can be walked, free of traffic fumes, in 10 to 15 minutes.

The convention and exhibition centre itself offers five large interconnecting exhibition halls. Adjacent are a range of conference and meeting facilities, including a playhouse hall and theatre, which can seat 3,500 people, and banqueting facilities servicing around 1,600. According to Mr van Amerongen, the exhibition facilities are about 80 per cent booked for the immediate future; conference capacity, however, is less restricted.

Local officials like to play up the possibility of combining exhibition and conference facilities, something which they claim is a rarity on the convention circuit. "More and more, conferences have an exhibition component," says Mr van Amerongen, citing financial considerations as the driving force. He points to medical gatherings, for example, where the economics of the convention may change significantly if drug companies can be encouraged to exhibit at the same time. This can effectively underwrite the accompanying conference proceedings.

Nevertheless, even Mr van Amerongen admits that Sydney facilities are optimised by large gatherings - upwards of 1,000 people, say. This fact, coupled with the occupancy levels, means that there is a considerable push to get the centre expanded.

Advocates of expansion note that, at the back of the complex and currently separated from it by a road and the monorail, is an old government printing office. Next to it is a cleared site where a mammoth woolstore burnt down.

The idea is that these two sites could be used to double the exhibition space by around 25,000 sq metres, and a "link" foyer could be built connecting new and old space. Through this, the transport facilities could pass. The idea has some backing from the current state government. Much, however, may depend on how New South Wales' fluid politics pan out; state elections are to be held next month.

The obvious drawback to Sydney as a conference or exhibition centre is the travel time for international attendees, and the fact that the number of overseas visitors who will just "drop in" is limited.

Officials take some comfort from the general improvement in international air services; while these are subject to the

vagaries of the commercial aviation industry, travel times and services have generally improved over the years.

Moreover, the recent, rapid growth of Asia-Pacific economies has tended to shift the focus of organisers of international trade-based conferences. As the number of likely Asian attendees has risen, the desire to centre conferences in the

region has increased. Today, Mr van Amerongen sees his main competition coming from Hong Kong and Singapore.

Finally, while there is no doubt that Sydney holds the commanding role in Australia's conference and exhibition market, its pre-eminence should not be overstated. According to the Bureau of Tourism Research, the number of domestic visitors to Sydney who gave convention business as their main purpose of travel was 195,000 in 1993-94, while those going to Melbourne for the same reason totalled 146,000. The international figures for 1993 stood at 21,505 for New South Wales and 11,308 for Victoria.

As in all things, the two cities compete fiercely - though the new Melbourne exhibition centre, with 30,000 sq metres of space has yet to come on stream, giving Sydney a decided edge. Perhaps all that can be safely said is that Australia's convention and exhibition business overall is growing sharply; the number of international visitors coming for this reason rose by 28 per cent in the 11 months to November, over the same period in 1993.

Nikki Tait

World's top venues: Hong Kong

State-of-the-art facilities

Hong Kong prides itself on being the acceptable face of Asia, providing a sanitised interface to the world's biggest growth regions. Conferences held there benefit from being in the hub of Asia but with all the niceties of the developed world: sophisticated telecommunications and transport, more than 37,000 hotel rooms

and a broadly English-speaking populace.

The colony boasts one telephone for every two people, and cellular penetration is one of the highest in south-east Asia. It is also small and densely populated: the ride to the Central financial and retail district from the airport is one of the shortest in the business

world and can take just 30 minutes. Taxis are cheap and generally plentiful and there is also an efficient public transport network, with underground trains, buses, ferries and trams.

Nearly all the big hotel chains are represented and rooms, while not cheap, are plentiful. (This stands to change as developers pull down hotels to make way for more lucrative office-and-retail blocks.) Hong Kong is itself a favoured business destination and the world's eighth biggest trading economy, thanks in part to its low tax structure and well-developed infrastructure. As such, a sophisticated financial services and centre has evolved to meet the needs of an international community. The colony has played host to a number of international events, from the annual Rugby Sevens in March to the 75th Lions Clubs' International Convention in 1992, which brought in a record 25,000 delegates.

It is partly with an eye to Hong Kong's appeal as an international meeting point that the government allocated HK\$4.8bn in its 1993 budget to extend the Hong Kong Convention and Exhibition Centre, a purpose-built complex on Hong Kong Island and venue for a mix of trade fairs, fashion shows, seminars and conferences.

The centre currently has two main halls, each of around 9,000 sq metres, plus convention rooms and theatres. Its capacity will roughly double by mid-1997, when the expansion - which entails land reclamation - is due for completion. Mr Owen Chi, assistant executive director of the colony's Trade Development Council, believes the extension will enable Hong Kong to retain its competitive edge as other countries in the region, including China, build facilities. Hong Kong costs are generally higher, but he says value is also better in terms of contacts made and business executed.

The centre hosts 50 to 70 big events a year, almost as much as the existing facilities can accommodate. These events are organised either by the TDC, as in the case of the Watch and Clock Fair, one of the biggest in the world, or by private organisers who are responsible for the Leather Fair, among others.

Says Mr Chi: "In Hong Kong trade fairs are successful because we have industry backing, which means all the suppliers are brought together in one place, while the buyers come in because of Hong Kong's conveniences from virtually all the main flight locations."

Moreover, as all these trade fairs are becoming much more international, overseas companies are coming to Hong Kong to develop and cultivate the market.

Throughout Asia, only Hong Kong offers state-of-the-art exhibition facilities, he says. Hong Kong is also an attractive venue for the mainland enterprises, which are increasingly using the territory as a platform to promote their business to the world. This in turn enhances Hong Kong's appeal.

Apart from the centre, conventions can be held at the Stadium, which seats 40,000; the Coliseum, an indoor venue accommodating 12,000 in tiered seating; or the Cultural Centre, where two large theatres seat 2,100 and 1,700 people. Conveniently located meeting facilities, seating from 10 people and upwards, are available at civic venues, convention centres and hotels.

For rest and recreation, Hong Kong offers a shoppers' paradise and a wealth of restaurants. Though a visa is required, southern China can be reached by air, train, boat or bus, either for business or pleasure. Hong Kong itself still offers the jaded business delegate country rambles, temples and snake markets.

Louise Lucas

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INTERNATIONAL CONFERENCES AND EXHIBITIONS IV

Diane Summers on making the most of exhibiting

To show or not to show

Red carpets, white ropes cordoning off exhibits, and disdainful salesmen studiously avoiding handing out catalogues to the public.

All are images from motor shows of the distant past, but serve to illustrate how any industry can end up putting on an exhibition for itself, rather than focusing on the needs of the public, says Mr Tony Ball, the veteran marketer and exponent of "industrial theatre".

Mr Ball is scheduled today to tell a seminar at Confex, the conference and exhibition show at Earls Court, London, how companies can make the most of exhibiting. Events to his name include the opening ceremony of the Rugby World Cup and the staging of the British International Motor Show at Birmingham's National Exhibition Centre.

The first task is for a company to define whether the show is for the trade, is a public exhibition, or is a combination of the two, he says. "You sometimes see people aiming clearly at trade customers at a public exhibition. They discourage people from visiting their stands because they're only there to sign up contracts with potential suppliers or dealers. The public is an added nuisance."

The job of verifying the numbers attending an exhibition and the profile of visitors - and so whether it is worth exhibiting - is easier than it used to be, says Mr Reg Best, the Incorporated Society of British Advertisers' exhibitions specialist. "Turnstile swinging", when exhibition organisers inflated numbers, is a thing of the past. The Audit Bureau of Circulation has established a verification scheme in the UK, and there are hopes that an international standard can be worked towards in the future, he says.

One of the worst reasons for deciding to attend an exhibition is solely because competitors will be there, says Mr Best. ISBA's own annual survey shows that for nearly 70 per cent of members this is, indeed, still a

strong factor in deciding whether to take a stand.

Nor should companies go to an exhibition with the main aim of assembling a list of names of prospects, says Mr Best. "If you're a serious buyer, you're going to an exhibition to see the product. You want to talk to someone who can tell you about it. It's a complete waste of time to be met by someone who knows only enough to ask your name so a rep can visit."

In his view, those companies making the best use of exhibitions are integrating them with their other marketing efforts, including direct mail, posters and press advertisements.

This point is echoed by Mr Rohio Hope, services director of Earls Court Olympia. As he says in Earls Court's recently published Exhibitor Survival Guide: "In order to provide continuity and support your brand, your exhibit needs to link with your promotional material and all other sales and marketing activities in terms of message, image and targeting."

Check, too, that full use is made of the sales and support services available, says Mr Hope. "Organisers will have developed a huge promotional platform surrounding the event. Make sure you exploit it to gain the maximum exposure before, during and after the event." Mr Ball adds: "Always ensure you talk to the organisers and get a good position. It's no good having the best stand in the world and hiding it in a poor position. These things are always negotiable."

As far as exhibits themselves are concerned, the main aim is to take advantage of the medium, says Mr Best. "Don't have a wonderful product and then just put prints round the walls. Have the product there and make sure anything new is fully explained."

Being at an exhibition is not enough in itself, stresses Mr Ball. "You have to have a presence which is dynamic, outward-facing and interactive with the public," he says.

Stands should be "memorable and creative in concept," the whole thing is brought to life by introducing colour, movement, entertainment and hospitality, so that visitors are compelled to stop, look and take part, he says. This may be done by staging events - a fashion show, dancers, famous personalities - relevant to the product.

Staff on the stand obviously have an important part to play and it is no use if only the managing director and marketing director understand why the company is exhibiting, says Mr Hope. "It's absolutely vital for those who are manning the stand to know exactly what you want them to do, what image you want them to convey - and, of course, how you expect them to deal with your customers or prospects," he says.

It is less common now to see staff sitting around looking bored, or chatting with friends from other stands, says Mr Ball. "Thank goodness, that is very much on the decline. Economics has forced companies to make full use of their presence at exhibitions. It's important for them to motivate staff so that they are well-presented and feel involved and well-briefed," he says.

Finally, there is the question of follow-up. Plan how to follow up the leads you get, advises Mr Hope. If you provide a free gift in exchange for business cards, decide what you will do with the names you collect. "For example, put them on a database and use them as a mailing list; send them a promotional pack, special offer or news of your sale; and get your sales force to give them a call," he says.

And do not give up too soon, says Mr Best. "Research shows that the life-cycle of inquiries following exhibitions can be very long." A buying decision may be made a year or more after a visitor has collected literature from rival stands at a show, so gentle follow-ups over that period can pay off, he concludes.



The site of the proposed Royal Docklands exhibition centre at Royal Victoria Dock in London Docklands

The world's top venues: London

Hurdles that must still be overcome

London, as a centre for exhibitions and conferences, starts with some natural advantages over many other venues. The combination of historical and cultural attractions, the appeal of an English-speaking environment to English speakers in other parts of the world, and the opportunities for out-of-hours entertainment mean that the capital features on many organisers' shortlists.

Confidence about security, particularly among North Americans, has increased since the IRA ceasefire; even the cuisine and friendliness of the natives are highly ranked by visitors these days, according to recent surveys conducted by the tourist agencies.

However, several factors continue to hold London back, according to Ms Catriona Campbell, head of marketing and the convention bureau for the London Tourist Board. The first of these factors is that there is simply not enough conference space.

One of the most important large venues is the Queen Elizabeth II Conference Centre at Westminster. Its facilities include high security, video-conferencing, three main halls,

four conference rooms and over 50 smaller meeting rooms. But the maximum number of people that the largest space in the building will accommodate is about 1,200.

The consensus, says Ms Campbell, is that London could do with "a world-class conference facility with seating capacity in the main hall for 2,500 people plus a separate hall for catering purposes, facilities for break-out sessions and an adequate space for exhibitions. The US has so many conference centres with accommodation attached. If we're ever going to tackle the American market and attract significant numbers, that's what we need to have as well."

The second difficulty London faces is that it must be unique among capitals in not having its own overall local government. Ms Campbell says: "A number of other cities, including some in the UK, give financial assistance to organisations to bring their conference business - they realise conferences boost the local economy. Because of the way that London is structured, we have to convince 33 local authorities, with very different perspectives on business tourism."

Whereas some cities bidding

Attendances at 1993 exhibitions

Alexandra Palace	330,000
Barbican Centre	1,500,000
Business Design Centre	412,000
Earls Court/Olympia	3,000,000
Fairfield Halls, Croydon	250,000
Queen Elizabeth II conference centre	250,000
Wembley Stadium complex	6,750,000
Westminster Exhibition Centre	135,000

Source: London Tourist Board and Convention Bureau

for conference and exhibition business are able to fly in organisers and entertain them while they inspect facilities, London has to scratch around for funds. "We don't have a pot of money to use to encourage people into London," she says. Overseas representation is mainly shared with the British Tourist Authority, but the BTA's focus of activity has to be the leisure, rather than the convention, market. London cannot even offer visitors a civic reception hosted by the capital's ceremonial figurehead, because there is no such person.

A number of initiatives are being developed to try to overcome some of these hurdles. The most important scheme to increase venue space in London is a vast new exhibition centre in Docklands. A study by Touche Ross for

London Docklands Development Corporation found that demand existed for an exhibition centre with hall space of up to 60,000 sq metres and potential for further expansion. The north site of the Royal Victoria Dock was the only suitable site available in the capital, it concluded.

LDDC has now selected developers for the first £100m phase of the development which should be ready in 1998, following the completion of the Jubilee Tube line extension. It is intended that hotels and conference facilities will also follow. Separately, Earls Court Olympia, the P&O group company, is putting in a bid for the development of a site to the west of London as an international trade show centre.

On the promotional front, London's limited resources are

to be boosted by recruiting voluntary "ambassadors" to spread the word. Business leaders, in particular those involved in London First, the private sector's inward investment initiative, are to be provided with incentives and recognition for bringing in convention business to the capital.

Even though it will be some time before these initiatives take effect, Ms Campbell is confident that London can hold its own. A steady improvement in visitor figures mirrors the upturn in the economy. Estimates for 1993 indicate that more than 14m people attended exhibitions and conferences at the larger venues.

Notable events in the capital have included a five-day, 2,500-strong Holiday Inn convention at Wembley, and a new product launch for 5,000 Fiat dealers from all over the world at Earls Court.

An event that London's promoters point to with particular pride is the Arthur Andersen worldwide partners' conference, recently held for the first time outside the US. The seven-day marathon had 4,300 people staying in 17 hotels and attending 265 meetings across London.

Ms Campbell concludes: "Though London may lack some of the attractions of other cities or the large convention centres to which international planners may be used, if it convinces them that it can deliver co-ordinated event organisation using the facilities it has, it has a tremendous amount to offer."

Diane Summers

Unusual venues may prove memorable, but there can also be pitfalls

Strange places stay in the mind

Birmingham or Bermuda, Harrogate or Hong Kong - the external environments may be very different, but once inside the hotel or conference hall, it can sometimes be difficult to distinguish one venue from another.

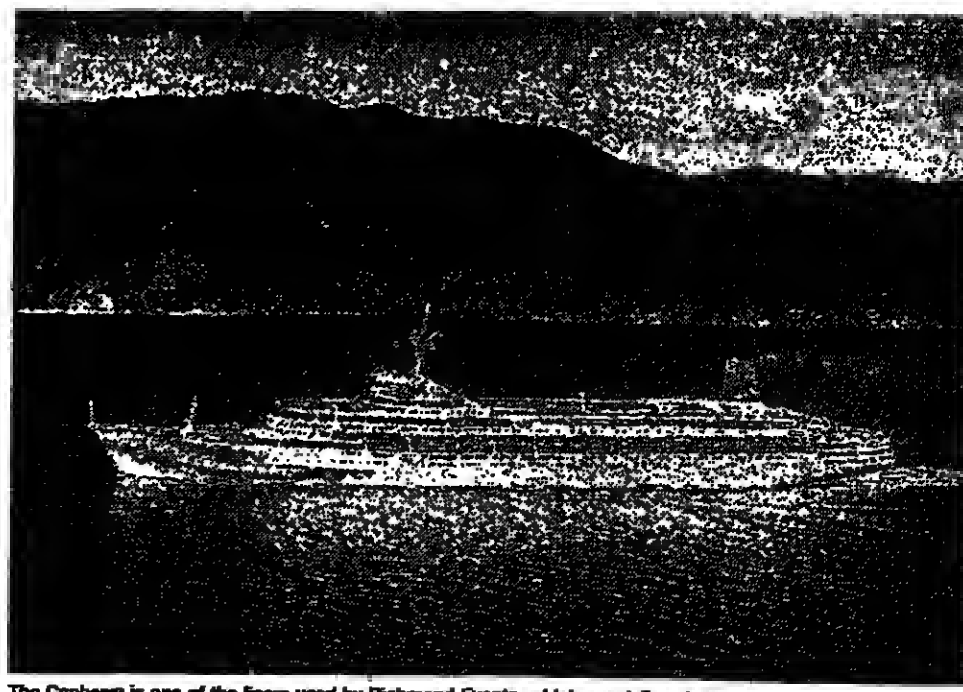
For those event organisers anxious to provide a memorable alternative to standard accommodation, there is a greater choice than ever before of the type of venue likely to remain in guests' minds long after the business content of an occasion has faded.

Museums, in particular, are waking up to the potential for generating extra revenue from allowing their premises to be used after-hours by other organisations. Historic monuments, sports grounds, parks and even dungeons are following suit. Meanwhile, some conferences and exhibitions are abandoning terra firma altogether, and launching themselves onto cruise liners.

In London's Natural History Museum it is possible for 1,000 guests to meet in the vaulted hall and then dine in the company of a giant dinosaur, the 150m-year-old Diplodocus. At London Zoo, receptions may be held in the reptile and insect houses, or a barbecue can be arranged next to the lions' terrace. The zoo also has more conventional lecture theatres and function suites.

The London Tourist Board and Convention Bureau has a register of unusual places available for hire in the capital. These include: the Museum of Garden History in Lambeth; HMS Belfast, the last of the Royal Navy's big-gun ships which is permanently moored opposite the Tower of London; and the Barbican Centre. The latter has a conservatory filled with tropical plants which is available for receptions, as well as the more usual halls, cinemas and meeting rooms.

Ms Miranda Acheson-Gray, the board's UK sales executive,



The Canberra is one of the liners used by Richmond Events, which specialises in ship-based ventures

suggests combining two events for a particularly memorable evening - perhaps hiring a boat to go down the Thames to Greenwich before gathering at the Queen's House, next to the National Maritime Museum. Also at Greenwich is a unique venue for smaller gatherings: the world's only museum of fans, housed in early Georgian buildings, can accommodate a meeting of up to 80 people.

Product launches and client receptions may benefit particularly from an unusual venue, says Ms Acheson-Gray. "It's often the same people who get invited to several of these things. You've got to do something to make the event memorable. If you just plan to take them to another hotel, they may not even turn up."

But there are pitfalls in hiring non-standard premises, she says. Expenses can mount up: many museums do not have on-site caterers, so outside provision needs to be made, and

there can also be extra costs for furniture and table linen. Caterers may charge extra at a museum venue if conditions are cramped in small kitchens with few facilities. Access is often not allowed until the museum has closed to the public for the day, giving little time for preparation. And do not forget that museums can be cold and acoustics can be poor, warns Ms Acheson-Gray.

Her overall recommendation is that "it is better to go for a less glamorous venue and spend more on the event itself, than to go for an expensive, unusual venue and not have any money left for decorating and catering."

Leaving land behind altogether, boats have long been used for incentive trips and entertainment. Now some exhibitions and conferences are also taking to the waves. Richmond Events, based in Surrey, specialises in ship-based venues and now organises nine

regular events, including several information technology forums, the Marketing Forum, and Pims - the Personal Investment Marketing Show. Liners used by Richmond currently include the Canberra and the QE2. P&O's newest cruise liner, Oriana, will be used later this year. The liners sail only far enough out to sea to stop anyone getting off - providing the ideal captive audience for exhibitors.

"Delegates" are invited by Richmond and do not pay for the event, while exhibitors would typically pay £11,500 for two people to attend. Over three nights and two days both sides meet up in individual sessions organised via a computerised appointment system - an exhibitor could hold up to 40 meetings with delegates over the period. In between appointments, there are conference and seminar sessions.

Diane Summers

INTERNATIONAL CONFERENCES AND EXHIBITIONS V

Paul Taylor looks at the inroads made by computer technology

From the theatrical to the dynamic

Computer technology is having a profound effect on the way conferences and exhibitions are prepared, organised and run. But communications experts stress that the most effective technology enhances content, rather than obscures it.

For this reason extravagant "glitz" presentations featuring special effects, dry ice and dancing girls are out of fashion. Instead technology is being used to cut lead times and make productions more interesting, relevant and accessible.

"Business conferences are becoming much more informal and participative," says Ms Lois Jacobs, managing director of HP-ICM, the London-based communications group.

Conference organisers have recognised that audiences no longer want to be "talked at" by speakers hidden behind lecterns or reading from an autotele device against a slide-show backdrop.

The emphasis today is on smaller and more intimate meetings, presentations illustrated with slick computer generated graphics and conferences punctuated by "break out" sessions or workshops to involve the audience.

For example, new car launches have typically involved large and lavish presentations in exotic locations. But for the launch of the Omega, General Motors, working with HP-ICM, chose to reach 20,000 dealership personnel in 20 countries with a series of smaller local events.

After an initial formal presentation by a senior local manager, delegates were divided into smaller groups of 20 to 30 people and assigned a "navigator" who steered them through eight small and highly interactive workshops each built around a key feature of the new car.

According to Ms Jacobs, the creation of events for a pan-European audience is another recent trend in the industry. "In fact, over 80 per cent of our business is for multi-cultural audiences," she says.

Audience response systems provide another means of involving an audience directly in an event. In Britain a four-year-old company called IML is a leader in the use of interactive computer technology and electronic audience response systems.

IML pioneered the use of handheld numeric keypads which enable an audience to key in a response to a question, register an opinion or exchange information - responses are captured by computer and can be displayed simultaneously. IML's PC software is used to plan, run and record responses during the presentation.

Mr Peter Knowles, IML's sales and marketing director, says: "A lot of conferences have moved away from the theatrical."

Instead companies are looking for a more dynamic format. IML's handsets are the modern equivalent of putting a hand up, but with anonymity if required, he says.

"We do 20 to 40 meetings a month," says Mr Knowles. These range from 10-person board of directors undertaking a strategic exercise to 5,000 people attending a company conference in Paris. Significantly, he says that response rates using the handsets, "are almost 100 per cent". IML has recently introduced an infra-red portable version of its handset which includes a microphone. An LCD window allows information such as individual scores or marks to be returned to each handset.

Alternatively, using business TV, responses can be collected from remote sites, sent via a modem to the broadcast site where they can be collated and relayed immediately back to the audience creating an interactive communication loop between remote and broadcast sites.

Generic training videos and the latest CDi technology can also be converted into

group interaction programmes using IML software. Crown Business Communications, another business conference agency specialising in the production of live events, conferences and roadshows, also uses interactive computer techniques.

Mr Nick Lamb, managing director, claims Crown led the way in multimedia presentations using laptop computers with its work for the Department of Trade and Industry, "Winning in the 90s" roadshow which Crown designed as a state-of-the-art interactive event.

The DTI roadshow is transported from one corporate car park to the next inside three articulated trailers which connect together to form a self-contained auditorium capable of seating 60 people at a time for the 2½-hour show.

Visitors are provided with a Compaq laptop computer into which they key in their name, company details and areas of interest. This information is captured and fed back to a facilitator who varies each laptop presentation - including the choice

of film clips - depending on the interests and responses of the visitors themselves. Thus no two roadshows are the same.

At the roadshow, designed to help managers improve the competitiveness of their companies, visitors receive a printout of their own "checklist for success". After the show the computer technology provides a post-event record for the DTI and the show's sponsors to use for follow-up purposes.

However, Mr Lamb believes the DTI show, hailed as "the most innovative presentation ever put on the road", scratches only the surface of the IT potential. Crown believes that in future management conferences with perhaps 500 delegates will use the same technology, but that the presentation details will be tailored to each individual delegate.

Mr Lamb, like other conference experts, emphasises that "content is always more important than technology and devices," and he believes that the human element in presentation is crucial to their success.

Despite the limitations of older equipment such as autotele devices, lecterns

and photographic slide projectors, most business communications experts acknowledge that they still have a role. "They are leftovers from the past but they won't disappear completely," says Mr Lamb.

However, digital technology has made significant inroads into the traditional conference presentation and exhibition market as well.

Many presentations these days are compiled on desktop or portable computers using software such as Microsoft's PowerPoint programme. This means sophisticated presentations - complete with graphs that grow and bar charts which fill - can be put together in days rather than weeks and can be easily changed.

Aside from speed of preparation, flexibility and cost savings the other key advantage of using this equipment is that it can be plugged directly into a video projector and used to run a presentation if required.

But for very high quality images slide most production companies use specialised computer graphics equipment such as Inscribe or CadSoft systems. These generate high quality slides to be shown on Barco projectors which can be hired from specialists such as MetroVideo in London.

These graphics systems produce near photographic quality results and have made the technical hitches of older presentations, such as slides jamming or going out of focus, a thing of the past.

AUDIO AND VIDEO CONFERENCING

The way to keep in touch

The use of new technologies such as video-telephony, telephone-conferencing, business television and satellite broadcasting is transforming the reach of the corporate conference or event.

Two-way video- and audio-conferencing links enable people to participate in an event even though they may be geographically far removed from the main site. Similarly, the imaginative use of business television and satellite systems can transform a local conference into a national, or even international, event.

For example, in October last year Whirlpool, the multinational white goods manufacturer, staged an extravaganza to help reinforce its global Quality programme.

The event, organised by HP-ICM, a London-based com-

munications specialist, was made possible by satellite conferencing and business television and involved a worldwide live broadcast which reached 7,000 employees.

Four main fairs were held at Varese in Italy, Michigan in the US, Singapore and Brazil, each of which also acted as a broadcast site. The broadcasts were received at 28 sites around the globe, a technical feat which required the use of three satellites for the Europe-an-US link alone, and 28 satellite transponders to deal with conversion between the different television standards.

For the European event, HP-ICM used two articulated trucks to transport the equipment to Italy together with a TV crew, outside broadcast unit and set builders. It created an auditorium for 500

people in a basketball court and co-ordinated the transportation of Whirlpool Europe's headquarters staff to Varese.

The Quality Forum opened with a 40-minute award ceremony for European company winners. All four sites were allocated a live 25-minute broadcast consisting of live presentations, video segments and interactive transglobal live interviews.

Ms Lois Jacobs, managing director of HP-ICM, says video-conferencing is being used increasingly for one-off events or by companies such as TSB,

which uses the medium to make regular broadcasts to 1,000 sites equipped with rooftop satellite dishes.

Video-conferencing is also being used to cut travelling expenses and reduce the time wasted getting to meetings. For example the UK-based applications business unit of Alcatel Business Systems, part of the Glasgow office down for a conventional meeting in Surrey. "The overall impression was that it had been extremely successful," said Ms Julie Brightwell of Alcatel.

For those companies unsure about whether they can justify

the investment in their own video-conferencing systems, there are alternatives. For example, most telecommunications companies hire out video-conferencing equipment and operate public video-conferencing centres which are available for hire.

BT operates two centres in the UK at the moment and Mr Darren Van Stone, marketing manager for BT teleconferencing services, says there are about 25 other independent centres in the UK and many more worldwide.

Typically, the hired equipment and public video-conferencing centres are used for high profile corporate events such as investor relations meetings and press conferences. Some centres such as the Queen Elizabeth II in Westminster also provide video-conferencing, editing and broadcasting facilities.

The facility at the QEI centre, called "II Media Productions," has been set up over the past 18 months. An event can be broadcast live to regional television stations using the centre's video-editing suite where the coverage can be mixed with titles, special effects and computer graphics before being relayed to the desired location.

Ms Gill Price, commercial director of the QEI centre, says: "II Media is ideal for important announcements and international occasions where

the organisers are sure of attracting a good deal of media attention."

The live broadcast can be relayed to videos in the event hall and to external locations via land lines, microwave, satellite links or ISDN video-conferencing. Recordings can be used for corporate videos, promotional material and internal communications such as business television, staff training, archive and reference material.

Video-conferencing is also being used increasingly as an integral part of a conference or meeting. "A lot more people are asking whether we can cater for video-conferencing," says Ms Price. "For example, where the president of a US company, who is unable to attend in person, wishes to give his sales staff in the UK a motivational pep talk, he now has the opportunity of doing this by video-conferencing."

Among those who have used the QEI's video-conferencing facilities recently are the King of Sweden for a discussion of Sweden's bid to hold the 1997 World Expo in Stockholm, Estee Lauder for a marketing conference linking London and New York and Mr Peter Drucker, the management expert, who addressed 600 delegates from his southern California base last June.

As an alternative to video-conferencing, both Mercury Communications and BT in the UK can set up low-cost audio conferences or conference calls. BT offers the service from its conference centre in London for customers who do not require video links. Conference calls can be set up quickly to numbers anywhere in the world and do not require any special equipment.

Audio-conferencing can be used as an alternative to making a series of calls to one person after another or to hold a discussion within an organisation. Most operators can also offer translation, recording and transcription.

If required, BT can feed from a conference public address system to a remote audience down telephone lines. In some markets, particularly the US, audio-conferencing is already well established and worth an estimated \$600m a year to the telecoms companies. "Conference calling is one of the fastest expanding BT services," says Mr Van Stone. Over the past year service usage at BT has grown by 70 per cent.

Paul Taylor

Motoko Rich on a service that is becoming more and more necessary

When to call for an interpreter

In the flurry that precedes a conference, organisers are inundated with details: booking the venue, arranging the menus and cocktail parties, and ordering the decorations. It can be easy to forget that none of these details will mean much to delegates who do not understand the language of the conference speakers.

For any international conference, it is crucial to consider the need for interpreters, not only because it will help participants understand what is going on, but because it may attract more of them. "Interpreting is a selling point which a lot of conference organisers do not realise," says Ms Frances Calder, founding member of Conference Interpreters International, a group of freelancers.

As English has increasingly become the international language of business, conferences conducted in Britain and the US are monolingual more often than not. But while many delegates will have a basic understanding of English, they will only feel comfortable asking questions in their native languages.

"If everyone on stage is speaking English it is difficult for a French or Italian delegate to stand up and ask a question because it has not been established that you can use these languages," says Ms Brenda Rolfe, technical director of M & R Conference Communications, an equipment supplier for simultaneous interpretation. "If a conference is truly international, then some speakers will give their speeches in other languages."

Once an organiser decides to provide language services, the first decision is what kind of interpretation is appropriate. For most conferences, simultaneous interpretation, with speciality equipment, is the only practical method for large audiences.

For small seminars or dinner meetings, consecutive interpretation is possible. The interpreter takes notes during a speech, and gives the interpretation afterwards. When only one or at most two people need

language services, then whispered interpretation is possible. Here the interpreter sits next to the delegate and whispers in the other language.

Conference organisers should avoid interpreters who offer ad hoc or liaison interpretation. These are considered more appropriate for low-level business or tourist circumstances, when rigorous interpreting is not required.

For simultaneous interpretation, a team of interpreters is needed, and for each language, it is necessary to have at least two interpreters so that they can take breaks during the conference.

Recruiting interpreters for the first time can be difficult because there are no international qualifications or standards. "If you went on a school trip to Paris at the age of 15 you can call yourself an interpreter," says Ms Calder.

She recommends that organisers look for a university degree in the languages specified as well as post-graduate training. "I tell people to look for interpreters who work on the European Community circuit," she says. "That guarantees a certain level of ability."

The other way to guarantee minimum standards is to hire interpreters who are members of the International Association of Conference Interpreters. This professional body, which has about 2,500 members worldwide, is self-politicking and is recognised by the United Nations, the European Community, the World Bank and the World Health Organisation.

Interpreters should work by translating the languages they have studied into their mother tongue. Ms Calder warns against hiring anyone who claims to interpret into several languages equally well. She cites an applicant to the European parliament who claimed on her CV that she could work "indifferently into three languages."

Obviously not.

For the best interpreters, it is important to book up to a year in advance. One of

the most convenient ways to put together a team of interpreters is to ask a consultant interpreter to recruit them. Such consultants usually charge between 8 and 10 per cent of the interpreter's fee. Most interpreters work on a freelance basis, and will expect to have direct contracts with the conference organisers. Fees range from £250 to £500 a day.

Technical equipment - which varies greatly in price depending on what is required - can be booked through a number of suppliers. Consultant interpreters can recommend the best ones. The equipment should be fully checked before it is used, and conference planners should demand that technicians be present throughout the event, listening to the sound systems at all times to make sure they are working.

Interpreters should be placed where they have a full view of the speakers, usually at the back of the room. It is important to allocate enough room for the booths, as each one will be approximately 160m square. "You will be surprised how much space the booths take up," says Ms Rolfe. "Make sure to consider your interpreting needs when booking a venue."

Well in advance of the event, interpreters should be given copies of speeches, transcripts of videos, lists of abbreviations and jargon likely to be used, and any other information about the conference subject and speakers.

"Interpreters are jacks of all trades and conversant with subjects so it is absolutely essential that they have background information so they can check through their specialist dictionaries beforehand," says Ms Judy Knap, director of Multilingual Services, an interpreting agency. "Only then can you get a Rolls-Royce service. People are notoriously bad at giving information and then complain when they do not get a perfect service."

International Association of Conference Interpreters: 10, Avenue de Scherren, CH-1202 Geneva, Switzerland. 01-22-731-33-25

CORPORATE ACTIVITIES

Human side of the bosses

Qualms among conference delegates on learning that a corporate activity provider will take over their lives for several hours are inevitable, writes Harriet Arnold.

But it seems that the providers and their clients agree that delegates at a residential conference gain more from, for example, making a short version of Crocodile Dundee than being told to emulate the film's hairy-chested hero.

Ms Lesley Claff, managing director at Meeting Point Conferences (Europe), says: "Clients increasingly want us to fit in an outdoor activity, as people want to do something active with a purpose." But something active with a purpose, she says, while clients want participants to be competitive, they do not want them "to make idiots of themselves". Activities should be fun, motivating and educational, she says.

Mr Guy Baker, managing director of Catalyst Event Management, says clients are looking for ideas that are creatively challenging as well as appropriate to the venue. Physical fitness is not ruled out. "Catalyst asks comprehensive questions about what the client wants, and what is appropriate for the participants."

For Goodyear, the US tyre maker, Catalyst organised an afternoon that tied in with the "Team Retail" slogan of the conference. In one exercise, a blindfold player reassembled cubes under the direction of

14 team members using duck whistles - they had to devise a new system of communication. "We are interested in challenges involving lateral thinking and discussion," says Mr Baker.

The afternoon ended with participants spelling out "Team Retail" with their bodies on the ground, which was filmed from the air. Participants took home photographs.

For two newly merged companies Catalyst devised a quiz where participants saw film of their new directors' homes and had to guess which belonged to whom. The aim was to show employees the human side of their bosses.

Both Ms Claff and Mr Baker note that clients want innovation combined with appropriateness both for their conference theme and for individual participants. "They are always looking for something new and different," says Ms Claff.

A sailing afternoon brings people together in an unfamiliar environment, and forces them to share experiences and work as a team, says Mr Guy Knight of Sunseeker, a corporate sailing provider. They are not, however, press-ganged. They take part in races, where the challenge is not so much mastering nautical know-how but matching crew members to particular tasks or working out navigational tactics.

Mr Chris Hillman, partner in Corporate Adrenalin, says clients ask for activities that "put people in stimulating participative events, with the onus on them to achieve various tasks". It is also fun.

The clients emphasise motivational team work and developing employees' roles in achieving the company's targets. Participants leave "high, motivated and educated," he says.

Corporate Adrenalin's Starbased Labyrinth is a computer-controlled game requiring participants to negotiate a "labyrinth" presenting different kinds of challenge, such as action or puzzle challenges. A business element is customised to the client - for example, remedying a fault on a car for a team of technicians.

Clients do not always emphasise education and strategic planning. As Ms Hannah Stephens, marketing director at motor sports specialist Drive It All, points out, they may simply want to reward staff who have given up free time to attend a conference. After a morning's work, participants enjoy activities such as driving 38-tonne trucks, quad bikes, rally driving, a fire engine challenge and blindfold Land Rover driving. They are divided into teams, not just for any team building value, but because they enjoy competition as a way of testing new skills.

BolognaFiere '95

Bologna's International Fairs where ITALY and the world meet

<p>27-30 January Arte Fiera International fair of contemporary art</p> <p>16-19 February Saca-Europe Exhibition of mouldings, frames, accessories and technologies</p> <p>2-5 March Micam-Modacalzatura International footwear exhibition</p> <p>22-26 March Saiedue Building components and finishing elements</p> <p>5-9 April Fiera del Libro per Ragazzi Children's Book Fair</p> <p>22-25 April Cosmoprof International perfumery and cosmetics exhibition</p> <p>Cosmopack Exhibition of creative packaging</p> <p>10-12 May Lineapelle Italian fashion preselection</p>	<p>10-13 May Simac International exhibition of machines for the footwear, leather-goods and tanning industries</p> <p>24-28 May Autopromotec International exhibition of equipment and products for vehicle servicing</p> <p>9-18 June La Fiera Bologna international trade fair</p> <p>3-8 October Cersaie International exhibition of ceramics for the building industry and bathroom furnishings</p> <p>18-22 October Saie International building exhibition</p> <p>4-8 November Eima International exhibition of agricultural machinery manufacturers</p> <p>15-17 November Lineapelle Italian fashion preselection</p> <p>7-17 December Motor Show International car, motorcycle and cycle exhibition</p>
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Choosing a head for WTO

The stalemate over the appointment of the successor to Mr Peter Sutherland as director general of the World Trade Organisation, successor to the Gatt, has become more than embarrassing. It is damaging the credibility of this long desired presence in global trade. It reveals a lack of urgency about setting the WTO on a sound footing. It also reflects inadequacies in the process of selecting heads of international organisations, previously demonstrated in the search for a new secretary-general of the OECD. There must be a better way. In the case of the WTO, it needs to be found soon.

The race to win the leadership of the WTO has been under way at least since last June. Unfortunately, none of the three announced candidates - Renato Ruggieri, former Italian trade minister and the European Union's candidate, Carlos Salinas, former president of Mexico, and Kim Dae-jung of South Korea - is in sight of the winning tape.

Some Europeans do not see things this way, arguing that their candidate has more votes among the contracting parties than the others. Yet this cannot be the decisive criterion in an organisation that has always operated by consensus and in which some members are in practice far more equal than others. What matters is a country's role in world trade. The 50 African countries export substantially less than Belgium. The 31 countries of Latin America and the Caribbean export substantially less than Italy. These small powers cannot determine the choices of the US or EU.

Lame duck

Unfortunately, the all too public nature of the struggle has turned it into a question of political prestige. It has become easier to stand firm than to concede. But the issue is urgent. At present the WTO is headed by a man who, however capable, is a lame duck. What it needs to establish its credibility is a respected, dynamic and committed boss.

A decision has to be made within the near future on whether a consensus can still be reached on one of the three public candidates. Should the answer be no, a small, high level search committee should be established (maybe with

one representative from the EU, one from the US, one from Japan and one from other contracting parties, each working in a personal capacity). Meanwhile, there should be no new candidacies. This committee should be given a limited amount of time in which to come up with an agreed candidate.

No nationality requirement should be imposed, since it is absurd to suppose that a country would gain advantage from a director general of its own nationality. On the contrary, a new director-general would have to hand over backwards to show independence from his sponsors. The search committee should focus, instead, on finding someone with the needed qualities of strategic vision, technical competence, diplomatic finesse, administrative skill and political forcefulness.

Grudging attitude

Unfortunately, the failure to agree on a new head for the WTO is not the only indication of indifference to its fate. Also significant has been the grudging attitude to the provision of the resources it needs. The budget of the WTO is a mere \$F105m (\$34.2m). Its professional staff is 200, which includes an additional 18 to reflect the increase in responsibilities. By contrast, the International Labour Organisation, hardly a central player in the global economy, had almost 1,700 professionals at the end of 1993.

Nobody wants the WTO to become yet another bloated international bureaucracy. But it does need the resources to service a host of committees, including the new dispute settlement procedures, clarify issues in world trade, assist less sophisticated members and prepare for additional members, such as China and Russia. It looks as though major powers want to starve the organisation. But the WTO will stand or fall by its credibility as an organisation dedicated to multilateral liberal trade. It needs the resources to carry out this task.

It also needs a head with the will to do so. The issue is not whether the EU and the US can reach a consensus on who the new boss should be at some point in the future. It is whether they care enough about this organisation to reach a decision soon.

More folly in banking

Large subsidies for Air France and Groupe Bull have already slipped through the net of European competition policy. The signs are that Crédit Lyonnais, now at the centre of a second rescue package within 12 months, will be allowed to follow suit. Yet the European Commission should not concede the point without a fight. It would be far better for both the European and French banking markets if this troubled institution were subjected to brutal rationalisation.

It will, of course, be argued that banking is different from other industries because of its role in the monetary system, and that French banking is more different than most. Yet the striking thing about the recent history of Crédit Lyonnais is how closely its mistakes resemble those made by others around the world. Under Jean-Yves Haberer the bank set out to dominate Europe's Single Market.

It was also obsessed with global growth, and in its dash for glory it acquired the besetting sins of Anglo-Saxon and Japanese bank management.

Property provided a seductive target for its growth-bungry loan officers, both at home and overseas, where Crédit Lyonnais became the second largest lender to Olympia & York's disastrous scheme in London's docklands. Equally impressive in their ability to absorb large amounts of the bank's resources were such shaky entrepreneurs as Bernard Tapie, Robert Maxwell and Giancarlo Parretti, the Italian financier who bought Metro-Goldwyn-Mayer on a mountain of borrowed money.

Moral hazard

If there was a difference, it was that the old banking problem of moral hazard, whereby the implicit guarantee of a central bank lender of last resort encourages indiscipline, was made worse here by the explicit fact of majority state ownership. With hindsight the deferment of privatisation when the socialists returned to power in 1988 was singularly unfortunate. The capital markets may be imperfect monitors of bank management, but it is hard to believe that the 70 per cent-plus growth in gross lending at Crédit Lyonnais between 1988 and 1992 would have failed to prompt a market panic. The problem was

further compounded because Mr Haberer was a former head of the French Treasury. The incestuous culture of French elite officialdom is ill-designed to provide checks and balances over someone with Mr Haberer's impressive credentials in the hierarchy.

This, then, is indeed moral hazard with a French twist, if not a difference; and a twist is also apparent in the slow-motion remedies now being applied by new boss Mr Jean Peyrelevade to a balance sheet with total assets at 1993 values of nearly FF2,000bn (\$300m). In fairness to Mr Peyrelevade, his unstated mandate has been to minimise political embarrassment before the presidential election, while conducting a statey work-out. But his more formal mandate is deficient.

National champion

French retail banking has long suffered from overcapacity, which helps explain why the domestic competitors of Crédit Lyonnais have been up in arms over the soft treatment meted out to a national champion that lost FF6.9bn in 1993 and will record further losses in 1994. The group is of a size where its international competitors must also worry about where the subsidy process will end. From any sane economic perspective the sensible solution would be to wind the bank down. And, given the fact of state control, the threat of a run on deposits during this process would be non-existent.

The more likely outcome is a fudge, in which the pace of asset sales will be stepped up in exchange for bigger guarantees for risky assets removed from the Crédit Lyonnais balance sheet. Any injection of capital will probably be restricted to what is needed to meet the minimum solvency requirements of the Bank for International Settlements, to reduce political fall-out, and to placate the authorities in Brussels and Basel. There will be much irrelevant talk about the importance of not comparing banking with steel or computers in the context of subsidies.

A promise of privatisation would reduce, but not eliminate, the risk of a re-run. While welcome, it should be recognised, in this case, for what it is: a *pis aller*.

Scarcely a week goes by in Japan without news of another stockbroker falling victim to the country's prolonged stock market agony.

Two weeks ago, Nomura Securities announced the first loss in its history, more than ¥20bn (\$300m) in the first 10 months of the current financial year. Last week, CS First Boston, the US broker, became the third foreign broker in four months to abandon the trading of equities in Tokyo, following in the footsteps of Kidder Peabody and Prudential Securities. Yesterday Daiwa Securities revealed plans for a restructuring of its global operations.

All these events are evidence of the dearth of activity on the Tokyo Stock Exchange. And the longer the inactivity continues, the clearer it becomes that this is not simply a cyclical downturn. It seems there has been a longer-term structural shift within Japan's financial markets, which has created an imbalance between demand and supply of equities.

The data that track the market's decline make depressing reading. Daily trading volumes on the Tokyo Stock Exchange were over 1bn shares in 1988. That figure dwindled to 300m last year. The Nikkei index stands at just over 40 per cent of its 1989 level, and has declined by 15 per cent from the top of its brief rally last year, in spite of projections of output and earnings recovery.

The volume of trading as a proportion of market capitalisation on the TSE is lower than in almost any other stock market. The total trading value of ¥475bn two years ago was just 21 per cent of total capitalisation; in the same year, the figure in London was over 60 per cent, in Paris 66 per cent, in New York 45 per cent, and in Frankfurt 50 per cent.

For a brief moment last month it seemed that the Kobe earthquake might jolt the market from its lassitude. In the immediate aftermath of the quake, like the needle on the seismograph, the Nikkei fluctuated wildly, and trading increased to more than 500m shares a day. But as the geological aftershocks receded, so did any sign of movement in the stock market. Trading volumes are back to 300m shares a day.

Optimists say the market is merely stuck in a prolonged cyclical downturn and is set for recovery. With earnings expected to recover this year, they say the market will recover too.

"Investors will be positively surprised as profit forecasts are revised up," says Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo.

The optimists, however, are in retreat. The stagnation of Japan's stock market for the past five years

Trapped in stagnant waters

The lack of activity that has afflicted Tokyo's stock market in recent years is far from over, says Gerard Baker

suggests that there are much more deep-rooted problems, and that this is a secular rather than a short-term cyclical decline.

The principal corollary of years of rising asset prices in the 1980s is the imbalance now within the equity market between the supply of and demand for stocks. "The prospects for the market can be summed up in one simple phrase," says one broker. "Japanese investors are cow, for the long term, strategic sellers and tactical buyers."

This conclusion is derived from the peculiarity of the ownership patterns for Japanese shares. In Japan, unlike in the US and the UK, the bulk of equity is owned not by pension funds, life insurers and investment trusts, but by banks and big industrial corporations. The principal reason for holding shares is not to secure a financial return, but to further a business relationship.

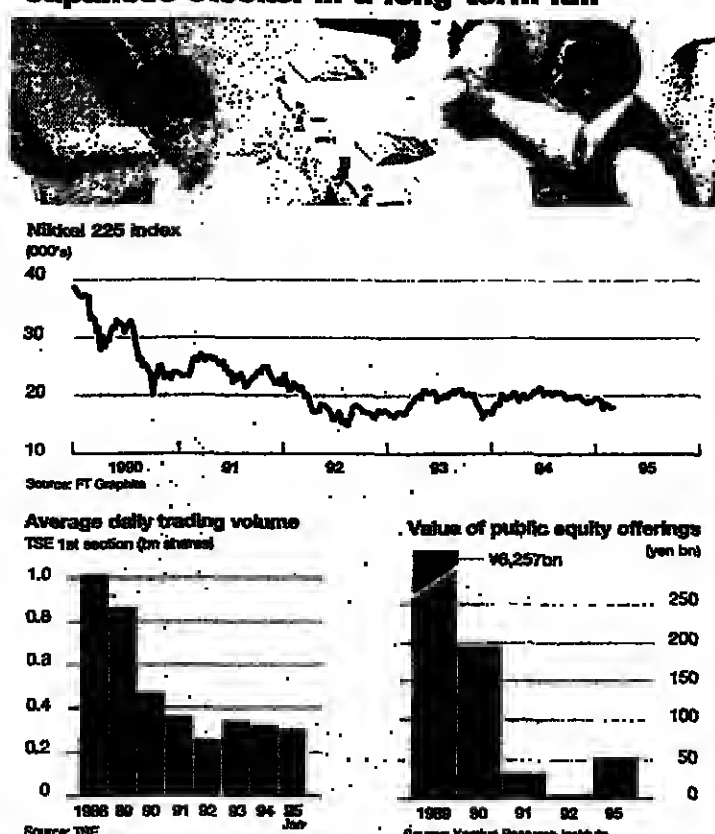
Mr Andrew Smithers, an independent stock market analyst, says: "The Japanese market is not driven by profits or interest rates, but by ownership. Investors place a higher premium on shares than the simple monetary return they get and so the market has been overvalued for years."

In the heady years of the 1980s, industrial corporations, flush with cash, extended the embrace of their relationships. But in 1990 the process went into reverse. The high levels of debt that companies incurred forced them to find cash, and they did it through liquidating shareholdings. Many companies had decided in any case to loosen the ties that have long bound them together in industrial relationships.

In every month in 1993 and 1994, industrial corporations were net sellers of stocks. In those two years, they sold a total of more than ¥37,000bn in equity. But they remain heavily indebted and seem set to continue the process.

Mr David Pike, equity strategist at BZW Securities, says: "There is no question that there is an underlying shift occurring, gradually, in corporate relationships, which is leading to an undermining of the equity link." This shift is producing a weight of additional supply in the

Japanese stocks: in a long-term lull



Net purchases/sales of equities by category (¥m bn)	1990	1991	1992	1993	1994
Banks	-2,548.9	767.8	648.3	2,942.8	2,185.3
Other financial	1,325.4	-1,725.3	-297.1	-352.0	-1,897.4
Industrial corporations	776.0	-1,760.5	-755.8	-1,878.2	-1,850.3
Individuals	1,671.7	-2,932.8	22.9	-1,147.2	-2,033.1

Source: Yamuchi Research

market. Industrial corporations still account for more than a quarter of all equity ownership and are likely to continue to dump those shares.

So far, that selling pressure has been enough to depress but not overwhelm the market. The principal depositary of the sold stocks has been the banking sector. Banks had a particular motive for buying other companies' shares - they could count those shareholdings, at a dis-

count, as part of their own capital. As stock prices rose in the 1980s, banks found themselves with more capital and therefore more room to expand their loan book. As competition to lend became fiercer among the banks, they secured their lending market by buying shares in other companies to cement relationships. By 1993 banks owned more than 22 per cent of all shares. But they may be approaching the

end of this *de facto* support mechanism. The most important effect of their equity holdings is enormous volatility in the levels of credit. The banks can extend to borrowers. The shares held as part of their capital make their ability to lend extremely vulnerable to movements in equity prices. As prices rise and fall, banks' ability to lend rises and falls as well, and because banks' profits are already under pressure from the weight of bad loans, the implications for overall liquidity in the economy are substantial.

Nomura Research Institute recently calculated that banks' dependence on equity holdings means that they can expand lending in the next few years by no more than 3 per cent annually. As the Japanese economy recovers and demand for bank lending rises, that position cannot be maintained. The only solution for the banks is to diminish their reliance on other companies' shares and to increase their own capital by issuing more equity or equity-linked bonds.

But they are in a vicious circle. If they sell their equities, prices will fall, threatening their capital ratios and so further diminishing their asset base. Instead their aim is to take any opportunity to sell into a rising market and diminish that dependence without threatening their capital base. This is part of the supply-demand equation that is behind the depression in the stock market.

The disequilibrium would have been much worse if the government had not intervened to prop up the market. Over the past three years, the authorities have pumped in up to ¥12,000bn, through purchases of equities by public sector institutions such as pension funds. At the same time, a near-total ban by the government on new equity issues has kept the supply of equity below what it would have been in a free market. Between 1989 and 1993, funds raised in public placements fell sharply, partly as a result of limited demand in the recession but principally because of the government's moratorium on issuance.

But this "price-keeping operation" has, as Mr Smithers points out, merely delayed the inevitable. "The price-keeping operation has prevented the market from performing its primary function, the provision of risk capital. The government is simply adding to Japan's longer-term problems by inhibiting the refinancing of Japanese business."

The support cannot last indefinitely. It is costly and ultimately inefficient. Only by allowing the market to reach its own equilibrium can its long-term prospects be guaranteed. And for the immediate future that spells continued retrenchment for brokers.

Andrew Adonis and Ian Rodger on UK government ideas for a Swiss-style reform of welfare

Regional allowance

The welfare agenda of the Conservative right in the UK used to be clear and unambiguous: cut as much as is electorally palatable.

Mr Peter Lilley, social security secretary, has honed a more sophisticated approach during his three years in charge of Whitehall's biggest spending department. A twin-track strategy is evolving, in which piecemeal cuts run hand-in-hand with a new emphasis on devolving welfare responsibilities to lower tiers of government.

Mr Lilley says the strategy is "modelled on Nigel Lawson's approach to tax reform in the 1980s, taking one or more big areas each year and then moving on without seeking to impose an elegant intellectual structure on the real world".

It is a strategy of pragmatic reforms in pursuit of a controversial goal. "I want to see us closer to the Americans than the rest of Europe on public spending as a proportion of national income," he says. "It is important that we keep clear water between our tax level and that of the rest of Europe."

Yet Mr Lilley does not fit the conventional Tory Europhobic mould. "One of the extraordinary things

about Whitehall is how little it knows about what happens abroad," he says. "We have got the theme of Mr Lilley's - is a national problem, necessitating a complex regime of inter-cantonal payments. Whatever the value of the Swiss model, more remarkable is the fact that a Tory radical should consider that the confederation has much to teach Britain, the most centralised of Europe's larger states. "I have never been as hostile to local authorities as perhaps an unreconstructed Thatcherite ought to be," says Mr Lilley. "I want as little government as possible, whether central or local - and if the local is better, that's fine. I don't think the Whitehall record of controlling expenditure is so exemplary that we should not look at alternatives."

The emphasis is on new ways to restrain growth in the £33bn social security budget. In a giddy reversal of roles, devolution may become the Tory means to that end.

Most local government leaders believe that social security should remain a central government

responsibility. Yet the welfare state is not, and never has been, a purely national matter. Councils are significant welfare providers. In housing benefit they administer one of the principal social security payments. And they are responsible for community care, including financing residential care for elderly and disabled people. Standards of local welfare services vary widely across the country, as does education and health provision.

The experience of administering housing benefit and community care leaves local councils unenthusiastic about taking on a wider welfare role. Community care, the only significant responsibility devolved to local government under Mrs Thatcher, has been a serious burden on local social services departments; they claim that the government has not provided sufficient funding since transferring responsibility to local councils.

As for housing benefit, set to cost £10bn this year, the government announced last November that it plans to cap payments to tenants with rents above their local authority average. Those affected will be reimbursed only 50 per cent of the rent above that average. To deal with cases of hardship, councils will be given limited funds for use at their discretion.

So councils will have to deal with the social consequences of a cost-cutting policy which, particularly in some inner city areas, could lead to significant suffering. In Mr Lilley's view, councils are well-placed to exercise such local discretion: it is part of their raison d'être.

Yet to many councillors, implementing policies to which they are opposed in principle, with little discretion to supplement national benefits through local taxation, is an abuse of local government.

Mr Lilley has yet to declare the next targets on his reform agenda. Again, his emphasis is likely to be on reducing the numbers entitled to benefit, rather than cutting the rate of benefit paid to each recipient.

Once again America beckons - "a society of self-selected, self-reliant people," Mr Lilley says. "In general, the problem with our system isn't that benefits are too generous, but that dependency is too widespread."

All switched on

John Whybrow won't be short of company when he arrives at Philips headquarters in Eindhoven in April to take charge of the lighting division, which is the world's largest light bulb producer. For he is by no means the first Brit to march confidently on the electronics multinational's corporate bastion.

Already *in situ* are fellow countrymen Dudley Sutace, finance director, Kevin Kennedy, head of domestic appliances and personal care products, and Doug Dunn, chairman of the semi-conductor product division. That makes four Brits on the 14-member group management committee alongside three Americans, a Swede and a Frenchman - and five Dutch.

The UK seems to have become a good place to get noticed. Whybrow, a graduate in mechanical engineering with an MBA from Manchester Business School, had been heading Philips UK, immediately succeeding Kennedy, when he got the call from the Netherlands.

Banker's rabbit

Shareholders in Commerzbank, smallest of Frankfurt's 'big three' banks, are waiting to hear how

generous it will be in its 125th anniversary year.

Its larger rival, Deutsche Bank, also 125 years old this year, has promised a DM3 a share bonus payment on top of the dividend. Dresdner Bank, the second biggest, is also celebrating its 125th birthday on September 14 1993. That was when he was appointed chief financial officer of Gulf Oil, one of the so-called seven sisters which dominated the world oil industry.

His first task was to go to New York to find out who was buying Gulf's shares. Within 24 hours he had discovered that it was Boone Pickens, a Texas oil man who terrorised sleepy oil companies, and Gulf Oil was never the same again. Short and his colleagues fended off Pickens' unwelcome advances but were driven into the friendly arms of Chevron.

Boone Pickens and fellow corporate predators may be history. But their insistence on enhancing shareholder values has left an indelible mark on Short, which may just explain why he is a good choice to chair UB.

Short story

United Biscuits is keen to play down the idea that it has picked ICI's Colin Short as its next chairman because he is a skilled corporate fighter. It only adds to the speculation that one of the City's favourite bit targets is

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strengthening its defences. Short, a Welsh accountant who joined Gulf Oil in 1968 and spent the next 21 years in the oil industry, is equally reluctant to embellish this side of his career. However, he admits that one date is etched in his mind - September 14 1983. That was when he was appointed chief financial officer of Gulf Oil, one of the so-called seven sisters which dominated the world oil industry.

His first task was to go to New York to find out who was buying Gulf's shares. Within 24 hours he had discovered that it was Boone Pickens, a Texas oil man who terrorised sleepy oil companies, and Gulf Oil was never the same again. Short and his colleagues fended off Pickens' unwelcome advances but were driven into the friendly arms of Chevron.

Boone Pickens and fellow corporate predators may be history. But their insistence on enhancing shareholder values has left an indelible mark on Short, which may just explain why he is a good choice to chair UB.

Beggar's opera

For sale, maybe, some concert halls in Paris. The *Salle Pleyel* is a strange enough beast, being a French construct named after an Austrian-born composer. But guess who its owner is. Why... Crédit Lyonnais, of course, that commodious repository of sundry oddities not normally associated

Common currency

Michel Sapin, the former French finance minister who is now a member of the Bank of France's central council, breezed into London - and promptly found himself bowled over by a more potent monetary force. Madame had taken over the room he had booked at the Lanesborough hotel. Having shepherded the franc during the 1992 foreign exchange turmoil, Sapin knows a thing or two about a crisis. He stayed cool, and made way for the American pop star. He was even overcome by a bout of nostalgia for his spell as justice minister, when he could monitor her frequent visits to the Ritz from his desk. Readers will be relieved to know his enthusiasm stops short of putting her name forward as a possible handle for the single European currency.

100 years ago

Reputation of bonds New York: A despatch from Ironwood, Michigan, states that the Mayor and officials of that place have unanimously decided to repudiate the last issue of City bonds. These were offered to a firm which has since gone bankrupt. The bonds were, it is said, held in New York, Boston and London.

50 years ago

Speculators' profits in the US Washington: A proposal that a special tax be levied on wartime speculative profits from the resale of farms, homes and stocks was made by Mr Marriner S. Eccles, chairman of the Federal Reserve Board, in his testimony before the Senate Banking and Currency Committee. He said: "That is one door left open - the capital market. Nothing can keep cash, or future cash represented by Government bond holdings, in the hands of individuals from being spent to buy farms, homes and stocks when they cannot buy goods and services."

Any attempt at legislation for a special tax on war-time speculative profits will face stiff opposition in Congress.

Bundesbank warns of inflationary pressure in economic boom Germany faces interest rate rise

By Christopher Parkes
in Frankfurt

Germany faces the risk of higher interest rates as inflationary pressures grow and business confidence rises to peaks not seen since the unification boom of 1991, the Bundesbank warns in a report published today.

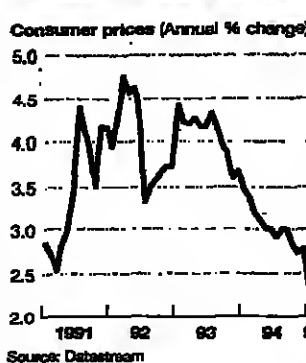
In its latest economic review, the country's central bank says that it will act to counter the effects of any price increases. It notes that raw materials and import prices are rising in response to an accelerating worldwide economic recovery, while companies attempt to raise selling prices as demand grows.

The alarms come at a time when the German central bank is within an ace of achieving its goal of so-called "price stability" - an annual inflation rate of 2 per cent.

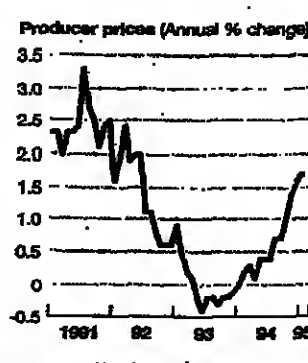
The rate dropped from 2.7 per cent in December to 2.3 per cent in January and the consumer price index has been rising at a seasonally adjusted annual rate of 1.4 per cent for past six months.

The review, published in the

Western German inflation



Source: Datastream



Source: Datastream

Bundesbank's monthly report for February, appears to end any lingering hopes of further cuts in Germany's discount and Lombard lending rates, held at 4.5 per cent and 6 per cent respectively since last May.

The report also includes a reminder to industry to avoid loading itself with extra costs which could reduce competitiveness, especially in the light of the recent sharp revaluation of the D-Mark, which has continued since the report was completed in

mid-February. At that time the D-Mark had appreciated by 4 per cent against other European currencies since the start of the year. The report said it was hard to explain the swing, although "political uncertainty" appeared to be the main cause.

The authors of the report, with an eye on the impending industrial strife in the engineering industry, also warn of the need for moderate pay settlements. By helping to reduce unit

labour costs, the modest wage deals of the past two years have played an important part in enabling German industry to sell goods in recovering markets at internationally competitive prices, they say.

The stronger D-Mark is also playing a role. The Bundesbank's favoured raw materials price index was up more than 23 per cent year on year during January, although appreciation of the D-Mark against the US dollar means German industry is paying a more modest 8.5 per cent extra, says the report.

Reviewing progress in the domestic economic recovery, the bank says investment has improved following a rise in foreign demand, while private consumption is lagging.

Embellishing its report last week in which it said West German economic output grew 3.4 per cent in the final quarter of last year, the bank notes business confidence is higher than the boom following unification with the former East Germany.

Lira hits record low against D-Mark. Page 31

S Africa urged to drop financial rand

By Mark Suzman and
Roger Matthews in Cape Town

Pressure is mounting on the South African government to dismantle the country's controversial two-tier exchange rate after Mr Chris Stals, Reserve Bank governor, yesterday said economic conditions were right for its abolition.

The decision to abolish the financial rand was now a matter of "political discretion", not of central bank rules, Mr Stals said. He was confident South Africa could easily cope with any short-term capital outflows arising from the change. "A year ago it would have been foolish to abolish the finrand," he said.

"Now it is a matter of discretion, not rules. I'm passing the buck. It is now a political decision."

The financial rand is a special currency designed to protect South Africa's foreign reserves by providing a restricted pool of rands for transactions by non-residents. It trades at a variable discount to the commercial rand, the currency for all conventional balance of payments transactions.

The gap between the two currencies, which has been as high as 50 per cent, is used as a measure of international investor confidence in South Africa.

Markets responded positively to yesterday's statements, with the difference between the finan-

cial rand and the commercial rand narrowing from 7.5 per cent to 7.2 per cent.

However, within hours of Mr Stals' comments, Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, led an IFP walkout from parliament, claiming the government had reneged on a promise made before last year's elections to submit Inkatha demands to international mediation.

He said 21 legislators would boycott parliament until a special IFP congress on March 5 and 6, to decide whether to quit permanently.

Mr Stals has repeatedly said that before the financial rand could be scrapped there would

have to be a strong improvement in foreign reserves, a narrowing of the distance between the financial and commercial rands to below 10 per cent, and a reduction in the financial rand bank balances held by foreigners.

Mr Chris Liebenberg, finance minister, said yesterday that he remained unequivocally in favour of getting rid of the financial rand as soon as possible.

"The disadvantages far exceed the possible advantages," he said. But not all ministers are persuaded, and some international bankers recently advised South Africa to retain the present system for a longer period.

See Lex

Unilever write offs \$88m

Continued from Page 1

level of catalyst. It says the new version, downgraded from flagship to niche product, is safe to use as directed. Analysts expect it to "withstand the test" of time, because Unilever has withdrawn advertising support.

Mr Morris Tabakshat, chairman of the Dutch arm of Unilever, said in Rotterdam: "We hate making a mistake, that's something we find very annoying and something we ourselves take very seriously."

"We remain a leading producer of detergents, including textile detergents, in Europe. This has put a small dent, really minimal, in our position which we think we can fully repair."

UK bond market reform aims to attract international funds

By Graham Bowley
and Richard Lapper

Wide-ranging reforms of the UK government bond - or gilts - market aimed at attracting more international investors are set to take effect in January.

The reforms, announced yesterday by Mr Kenneth Clarke, the chancellor, are intended to reduce the cost of government borrowing. The UK now pays half to more than one percentage point more than most other industrialised countries to service its debt.

The reforms will allow all participants in the gilts market to borrow and lend bonds.

"This open sale and repurchase market - a repo market - will

enable people to finance positions in the market by selling gilts for cash and to go short - committing to sell gilts they do not own, normally in anticipation of the market's falling. France, Germany and the US already have well-developed repo markets.

In addition, the reforms will allow institutions such as life assurance companies - but not individuals - holding gilts to receive interest payments before deduction of tax.

Tax is currently withheld at source. From January, it will be payable quarterly in arrears. The tax change is essential for an efficient repo market.

"The introduction of an open repo market marks an important further step in the development

of the gilts markets," Mr Clarke said. "Repos should improve both the liquidity and efficiency of this market, reducing yields and hence the government's debt interest costs."

Overseas investors own about 19 per cent of outstanding gilts. In the last five years competition among bond markets for overseas funds has intensified. The UK is felt to have lost out partly because it is less attractive than other European markets which have been quicker to modernise.

Mr Anthony Nelson, economic secretary to the Treasury, said the repo market "will secure our position in the first division of international sovereign bond markets and secure fine pricing for the taxpayer."

THE LEX COLUMN

Rand revolution

South Africa needs to dismantle its panoply of exchange controls if it is to integrate with the world economy. The abolition of the country's two-tier exchange rate - backed yesterday by the finance minister and central bank governor - would be a big step in this direction. But it also carries risks. If the financial rand is abolished, much of the hot money that has recently flowed into the country to take advantage of the arbitrage potential between the two exchange rates will flow out again.

South Africa can withstand a short-term outflow of speculative capital. But given low foreign reserves and a growing current account deficit, its finances will be under pressure unless there is a matching inflow in the medium term. The hope is that abolishing the financial rand will have just that effect, since a big deterrent to foreign investors is the two-tier exchange rate. The sums involved could be large. Emerging market fund flows alone could amount to \$800 if the South African stock market attracted investment proportionate to its capitalisation. Direct investment might also receive a boost.

But the abolition of the financial rand alone will not be enough to attract capital inflows. Foreign investors will need comfort that the political situation is stable - something hardly helped by Chief Mangosuthu Buthelezi's walk-out from parliament yesterday. Investors will also need assurance that the government is pursuing sound economic policies. Next month's budget will be a big test.

US banking

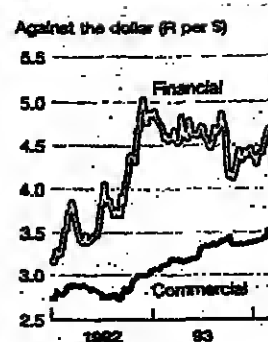
Fleet Financial's acquisition of Shawmut represents another step in the inexorable consolidation of the US banking industry. The need for rationalisation is incontestable: the US, served by some 67,000 branches, is like most countries, over-banked. Expensive overlapping branch networks are hard to justify in an age of information technology. Some rationalisation has already occurred: the mergers in 1991 between Bank of America and Security Pacific and between Chemical Bank and Manufacturers Hanover Trust signalled the start. However, in recent months the pace of change has been rekindled by most banks' low stock market valuations.

Yesterday's deal signals an acceleration in the trend. The impetus for further rationalisation comes partly from

FT-SE Eurotrack 200:

1367.3 (-0.4)

Against the dollar (\$1 per \$)



Source: FT Graphics

enhancement raises obvious concerns. Moreover, even taking out Persil, there was continuing weakness in Unilever's margarine and dairy products divisions, which resulted in the group's food manufacturing profits rising by just one per cent.

At least the next two quarters should be easier for Unilever to impress the market, since they will compare with weak performances in 1994. Margin benefits should start to show through from 1993's \$480m cost cutting provisions. And the success of its emerging markets business, where it achieves above average margins despite the high level of investment, gives it scope to impress. But it will take a pleasant surprise to push the shares beyond their average market rating.

NatWest Group

National Westminster Bank is to be called NatWest Group. The change is to emphasise that the company is a portfolio of businesses rather than just a UK clearing bank. That is all very well, but the problem remains that - to outsiders at least - the management's portfolio strategy appears at best unfocused, at worst misguided.

The rationale behind the strategy is to reduce the group's dependency on UK banking which it expects to suffer poor growth in a low-inflation environment. But for the moment it remains unclear whether NatWest can generate better returns on capital in other business areas.

NatWest's push into investment banking is at a price - the earnings stream is extremely volatile. Moreover, the group's grip on expenses looks casual. Group income dropped 1 per cent, while costs increased 5 per cent. Operating costs have ballooned 35 per cent since 1986, compared with an industry average of 10 per cent. The 88 per cent cost-income ratio is the sector's worst.

NatWest's shares are standing at a discount of around 40 per cent to the market on a price/earnings basis. The prospective yield is over 6 per cent. There is no disputing the shares are lowly rated, but that does not mean they are good value. Given the scale of its investment drive, NatWest now needs to demonstrate it can make a decent return. Until then, it is difficult to imagine a significant rerating.

See additional comments on Trafalgar House and GRE, Page 26



United Republic of Tanzania Commercial Debt Reduction Programme

The United Republic of Tanzania ("U.R.T.") expects to launch a debt reduction programme in the form of a commercial debt buy-back early in 1995. Funding for this programme will be sought from the International Development Association and certain donor countries.

The U.R.T. and its financial advisor, Lazard Frères & Cie, are currently in the process of reconciling claims that may be eligible for tender in connection with this programme. In this regard, the U.R.T. invites persons claiming to be holders of Eligible Debt (as defined below), to contact the undersigned if they have not yet received a solicitation of claim information from the undersigned in respect of this operation.

For this purpose, "Eligible Debt" means claims (outstanding as of January 1, 1990 and in arrears on and after January 1, 1994) denominated in a currency other than the Tanzanian Shilling against the U.R.T. or agencies or instrumentalities of the U.R.T., whose original principal amount (in aggregate for each creditor, exclusive of interest, late interest, fees and other amounts with respect thereto) exceeds US \$5,000 or its equivalent in other currencies, that arose out of or correspond to:

- borrowed money or the deferred payment of goods or services, or
- local currency payments to the National Bank of Commerce or the Bank of Tanzania pursuant to the Foreign Exchange Control Ordinance of 1982.

The following types of claims should not be reported in connection with this request:

- claims that are secured by any lien, pledge, or similar collateral security agreement,
- claims that are held or guaranteed by a foreign Export Credit Agency.

Bank of Tanzania
External Debt Department
10 Mirambo Street
P.O. Box 2939
Dar es Salaam
Tanzania
Tel. No. (255) (51) 37078
Fax No. (255) (51) 46791/46060
Telex No. 41024

Lazard Frères & Cie
Room 519
121 Bd Haussmann
75382 Paris Cedex 08
France
Tel. No. (33) (1) 4413-0763
Fax No. (33) (1) 4563-3194
Telex No. 651666 LFC

February, 1995

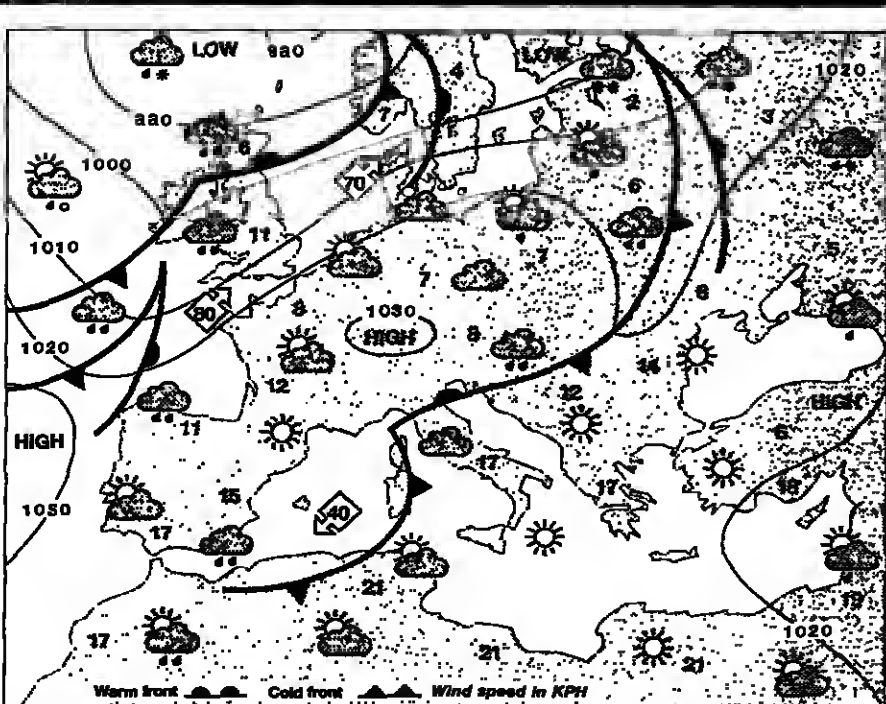
Europe today

A front associated with a depression between Iceland and Norway will be accompanied by rain and some hail as it tracks across the UK and western Scandinavia. A disturbance will develop just south of Ireland and will move north. This will cause more rain and strong gales near the Channel and over parts of the North Sea. Southern France and northern Spain will be dry and sunny. Other sections of western Europe will be dry with sunny spells. North-west Africa, western Spain, the Alps and western Russia will have more rain as a result of another lingering frontal zone. Much of the Mediterranean will have a lot of sun.

Five-day forecast

Depressions over the north Atlantic will move into western Europe and will continue to bring rain and wind to the UK, Norway, the Benelux, France and northern Spain. Italy, the Balkans and western Turkey will have a lot of rain later in the week. The rest of Europe will not see significant changes.

FT WEATHER GUIDE



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Metro Consult of the Netherlands

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	11	Paris	11	London	11	Amsterdam	11
Brussels	11	Frankfurt	11	Berlin	11	Cologne	11
Geneva	11	Zurich	11	Basel	11	Stuttgart	11
Munich	11	Dresden	11	Hamburg	11	Warsaw	11
Vienna	11	Prague	11	Bratislava	11	Budapest	11
Belgrade	11	Sofia	11	Thessalonika	11	Atenas	11
Constantinople	11	Ankara	11	Istanbul	11	Jerusalem	11
Tel Aviv	11	Beirut	11	Damascus	11	Baghdad	11
Riyadh	11	Dhaka	11	Calcutta	11	Colombo	11
Delhi	11	Mumbai	11	Chennai	11	Madras	11
Hyderabad	11	Bombay	11	Calcutta	11	Chennai	11
Madras	11	Calcutta	11	Chennai	11	Madras	11

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International Property
& Plant Consultants
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FINANCIAL TIMES COMPANIES & MARKETS

Wednesday February 22 1995

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WOLSELEY

IN BRIEF

Honda rides high on strong sales

Honda, the Japanese carmaker, almost doubled its third-quarter consolidated profits on the back of strong sales for Odyssey, a new recreational vehicle, and continued cost-cutting. Page 24

United Biscuits chooses chairman
United Biscuits has chosen as its next chairman Mr Colin Short, a veteran defender from two classic bid battles known for his rigorous financial and managerial skills. Page 26

Dominion hires ex-Kidder Peabody staff
RBC Dominion Securities, Royal Bank of Canada's investment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm. Page 26

Swedish bank bounces back with big rise
Svenska Handelsbanken, one of Sweden's leading commercial banks, reported the second-best result in its history, just two years after the severe loan loss crisis threatened to cripple the country's banking system. Page 22

Mitsubishi may help affiliates
Mitsubishi Bank, one of Japan's largest financial institutions, is considering further measures to assist two troubled affiliate companies, Diamond Mortgage and Diamond Factors. Page 24

Dell taps into record sales
Dell Computer, the US personal computer manufacturer, reported record sales for its fourth fiscal quarter, boosted by strong sales of notebook computers and Pentium desktop PCs. Page 25

Strong commodities prices boost Gencor
Gencor, the South African mining house, has reported a rise in attributable earnings, to R392m (\$110.5m) for the six months to December 31. Operating for the 1994 period was R422m as most of the group's companies benefited from improved prices in commodity markets. Page 24

Deere breaks records on income
Deere and Company, the US agricultural and construction equipment manufacturer, reported record first-quarter net income of \$138.4m or \$1.60 per share, up nearly 60 per cent from \$87m or \$1.20 per share last year. Page 25

Yorkshire Chemicals cheered by 10% rise
Yorkshire Chemicals, the UK dyes and chemicals manufacturer, weathered price erosion and raw material cost inflation as it lifted pre-tax profits 10 per cent from £13m (\$20.15m) to £14.4m. Page 28

Overseas business raises Sedgwick 34%
Strong growth in its European and North American retail operations and continued expansion in fee-based businesses helped Sedgwick, the UK insurance broker, post a 34 per cent increase in 1994 pre-tax profits to \$94.4m (\$146.32). Page 28

GRE lifts trading profits 62.5%
Guardian Royal Exchange, the composite insurer, posted a 62.5 per cent increase in trading profits in 1994, helped by stronger-than-expected earnings from international operations. Page 26

Barry Riley is away

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Chief price changes yesterday

FRANKFURT (DEM)		PARIS (FFr)	
Alcatel	275 + 4	Solo	155.1 + 14.3
BoD	775 + 15	Udon	404 + 11
Deutsche	451.1 + 1.8	Wolfsburg	810 - 30
Leibniz	390 - 10	Wolfsburg	173.5 - 5.4
Linde	882 + 42	Wolfsburg	2184 - 80
Mannesmann	200 + 4	Wolfsburg	253.1 - 10.8
NEW YORK (\$)		TOKYO (Yen)	
Alcatel	26 + 414	Alcatel	2790 + 110
BoD	3074 + 20	BoD	2420 + 120
Deutsche	595 + 16	Deutsche	2010 + 180
Leibniz	409 + 16	Deutsche	530 + 20
Mannesmann	25 + 234	Deutsche	540 + 20
US Steel	104 - 114	Deutsche	587 - 23
LONDON (Pence)		HONG KONG (HK\$)	
Alcatel	300 + 20	Alcatel	32.2 + 1.0
BoD	54 + 4	BoD	28.5 + 2.2
Deutsche	480 - 15	BoD	20.15 + 0.05
Leibniz	25 + 3	BoD	48 + 1.9
Mannesmann	80 - 20	BoD	0.8 - 0.15
US Steel	25 + 3	BoD	0.8 - 0.15
TOKYO (Yen)		HONG KONG (HK\$)	
Alcatel	714 + 14	Alcatel	30 + 4.5
BoD	595 + 16	BoD	28 + 5
Deutsche	2114 + 1	BoD	129 + 9
Leibniz	15 + 1	BoD	88.5 - 7.5
Mannesmann	104 - 114	BoD	72 - 22
US Steel	349 - 14	BoD	72 - 22

New York and Toronto at 1200.

Fleet to buy Shawmut for \$3.4bn

By Richard Waters in New York

Fleet Financial, the US banking group based in Providence, Rhode Island, has announced a \$3.4bn all-share acquisition which would catapult it into the ranks of the country's 10 biggest commercial banks.

The planned takeover of Shawmut National, another New England bank, based in Hartford, Connecticut, would be one of the biggest regional banking acquisitions ever mounted to the US, creating an entity with assets of \$81bn. Fleet said it would move its headquarters to Boston after the takeover.

Fleet said it would have the sixth biggest consumer banking business after the acquisition and the third largest portfolio of

New England group tempts Providence rival to create one of the 10 largest US banks, with assets of \$81bn

loans to small businesses. It would also become the second-biggest mortgage banking company.

The move follows a period of calm in takeovers among US banks, reflecting the weakness in bank stocks since the turn in US interest rates a year ago. Faced with lower valuations on their own shares, most acquirers have preferred to stay out of the takeover market.

The deal also signals the strength of the recovery of the New England banking industry from a crisis in the early 1990s. Both Fleet and Shawmut were

brought low by a recession which cost the local economy 650,000 jobs - 10 per cent of the total - and a subsequent collapse in the property market.

Although New England's economic recovery began in 1992, along with that of the nation as a whole, the region has lagged behind the rest of the US, retaining only some one third of the jobs it lost, according to Ms Katherine Bradbury, an economist at the Federal Reserve Bank of Boston.

That weakness raised expectations that strong local banks such as Fleet would choose to

grow through acquisition elsewhere in the US rather than mount big takeovers locally. However, by acquiring a bank with operations overlapping many of its own, Fleet said it would be able to cut about \$400m a year from annual costs, equivalent to some 40 per cent of Shawmut's total non-interest costs. This will mean up to 3,000 job losses, or 10 per cent of the combined banks' total, it added.

Fleet's shares dropped 32% during the morning to \$31.10, on fears that the deal would dilute its earnings. That put the value of its offer for each Shawmut share

at \$27.4, well above the \$20.4 at which they closed at the end of last week. Shawmut's stock rose \$5 during morning trading.

The lending practices of both banks have come under regulatory scrutiny in the past 18 months, with a Shawmut acquisition last year blocked over concerns about its compliance with the US Community Reinvestment Act. Neither is believed to be the subject of regulatory action at present. Fleet said it expected to sell some businesses to comply with competition concerns and to close some overlapping operations, leaving it with about 900 branches. The rationalisation process will lead to a restructuring charge of up to \$400m.

Lex, Page 20; Background, Page 22

UK bank considers expansion of investment banking through takeovers in US or elsewhere



Laughing all the way to the bank: NatWest's Lord Alexander

NatWest profits climb 61% as bad debts fall

By John Gapper, Banking Editor, in London

National Westminster Bank may expand its investment banking operations through acquisitions in the US or elsewhere, the UK bank said yesterday as it disclosed a 4.6 per cent rise in expenses, and flat operating income.

Its shares closed 10p lower at 483p as the market focused on the short-term costs of its strategy of spending money on private and investment banking which it believes will increase long-term income.

NatWest announced a 61 per cent rise in pre-tax profits to £1.58bn (\$2.5bn) in the year to December 31, compared with £988m in 1993. This was largely

due to a 51 per cent fall in bad and doubtful debt provisions from £1.98bn to \$618m.

Lord Alexander, NatWest's chairman, also defended himself against criticism from Mr Gordon Brown, Labour's shadow chancellor, about a one-year contract that will give him a performance-related bonus of about £100,000 for 1994.

The bank, which announced a new corporate identity of NatWest Group, declared a final dividend of 14.3p, making a 17 per cent increase to 21.6p in the total dividend. Earnings per share rose by 80 per cent to 85p from 35p.

Equity returns broke a 17.5 per cent target to reach 18.7 per cent, compared with 10.8 per cent last time. Lord Alexander said, "after some most difficult years, we are once again delivering a proper return to our shareholders."

Mr Derek Wanless, chief executive, said that expansion in NatWest Markets, its investment banking arm, was being achieved "by vigorous organic growth, which will be supplemented, if justifiable, by in-fill acquisitions".

Mr Wanless said directors had considered acquisitions in markets such as the US. "We cannot make sense of the numbers at this stage, but the more we build up, the greater the chance that something will emerge," he said.

Mr Martin Owen, chief executive of NatWest Markets, which reported a fall in pre-tax profits from £463m to £359m, but avoided losses seen at other investment banks, said it would avoid acquiring too large an operation.

Mr Owen said NatWest Markets already had "a good footprint" in the US, mainly in secondary capital markets. But it wanted to expand equity research and sales operations in some sectors, and might also consider US acquisitions.

Expenses rose from £4.58bn to £4.79bn, with the ratio of costs to income rising from 65.6 per cent to 69.2 per cent in spite of a net fall of 4,000 employees. It said the ratio should fall by the end of this year.

Costs were increased by a £30m provision against having to pay compensation for mis-selling personal pensions. They were also inflated by a rise from £50m to £82m in the amount paid to staff under a profit-sharing scheme.

Income fell marginally from £5.95bn to £5.94bn. Although net interest income in its UK branch banking business fell by 3 per cent, it rose in the second half as fixed rate lending to small and medium-sized businesses grew.

Pre-tax profits in US retail operations rose from £182m to £239m, while those in international businesses grew from £172m to £403m. The latter included a fall in profits at Coutts & Co, its private bank, from £78m to £68m.

Assets weighted by risk were flat at £103.4bn, and its tier 1 ratio of core capital to risk-weighted assets rose from 5.7 per cent to 6.4 per cent, with a 12 per cent rise in shareholders' funds from £5.73bn to £6.42bn.

Lex, Page 20

Gerard Baker explains why local success is only relative

Sanwa Bank a healthy fish in its home pond

When Sumitomo Bank announced earlier this month its intention to declare the first loss by a Japanese bank in modern times, the move was widely hailed as a revolution in Japan's ossified financial sector. The decision to write off a substantial chunk of its bad loans was seen as the most aggressive move yet by any bank in dealing with the country's continuing bad debt crisis.

But at another of Japan's leading banks, the news was greeted with a shrug. Officials at Sanwa Bank, which has been more successful in dealing with the country's continuing bad debt crisis, said they at least would not be following suit, since their problem loans were already much lower.

Sanwa had a point. For while Sumitomo's move grabbed the headlines, it also drew investors' attention to the few banks with real strength - most prominent among them, Sanwa itself.

In Japan's notoriously homogeneous banking sector, Sanwa has always been more individual. Like Sumitomo, it is based in Osaka, a place renowned for a brazen approach to business than the slightly more civilised, old-school Tokyo. It also differs from most big banks in not being at the centre of a *keiretsu*, the industrial groupings that dominate Japan's economy.

However, in common with all the country's banks it has seen its profits fall sharply in the last few years as it has moved gradually to eliminate the bad debt burden.

But in a country where problem loans are as numerous as cherry trees, Sanwa's relative asset quality is impressive. At September 30, Sanwa's disclosed problem loans were 2.4 per cent of total loans, the third lowest among the lending banks. If estimates for undisclosed loans are added, the bank rises to second in the league table. Sanwa has consistently recorded the highest net profits over the last five years and is forecast to do so again this year.

The much stronger quality of Sanwa's assets is rooted in the bank's lending policies in the pre-bubble years. "Sanwa has always lent to the higher quality end of the market, so in the days of rapid expansion of property prices in the 1980s, it was not so drawn as other banks to lend to the risky property sector," according to Mr David Threadgold, banking analyst at Barclays de Zoete Wedel in Tokyo.

Sanwa was not immune to the attractions of booming sectors in the 1980s, but its exposure was

much lower. Of the leading banks, only Mitsubishi recorded a smaller increase in loans to property, construction and financial companies between 1985 and 1991.

Sanwa's total exposure to the problem sectors of just 24.3 per cent of its total loans in March 1995 was second lowest of all leading banks in keeping down the level of problem loans in closer scrutiny of lending. "We have always placed a much higher emphasis on credit control," says Mr Shinichi Taniguchi, deputy general manager of corporate planning. "That enabled us to detect much earlier

the trends of too-rapid growth during the bubble economy, and we strengthened control further when we saw the dangers."

Ms Alicia Ogawa, banking analyst at Salomon brothers, argues that the bank's asset quality strength reflects its more focused approach. "Sanwa has never spread itself all over the banking map like the other big companies," she says. "That has helped it avoid the more dangerous areas."

Aside from asset quality, Sanwa's principal strength is its core profitability. Mr Mark Faulkner, financial sector analyst at S.G. Warburg in Tokyo, estimates that on all leading indicators, Sanwa's profitability has been higher than its main competitors.

In the six months to September 1994, its gross business profit margin on domestic operations was 1.76 per cent, the highest among leading city banks.

Sanwa's selling, general and administrative costs are about 10 per cent of operating revenues, against an industry average of 13 per cent. But income from lending is also higher. The bank has the highest average loan rate of all banks, thanks largely to a smaller dependence than others on lending to large corporations, where loan revenues are much

smaller. Only 18 per cent of the bank's loans are to larger customers, against an average of nearly 24 per cent.

Sanwa is also unique in setting targets for return on equity and return on assets for each of the main departments. "The identification of strategies and targets for the main profit centre has been a unique Sanwa approach," according to Mr Taniguchi. "It enables us to understand better the detailed performance of the company."

These advantages probably stem from what makes Sanwa different: the fact it does not belong to a *keiretsu*. That forces it to be more aggressive in seeking out quality customers, rather than relying on the variable quality of related companies to a *keiretsu*. But it also forces Sanwa to be more attentive to its shareholders, who are used less by reasons of corporate loyalty than by a desire to make money.

Sanwa also has a strong overseas presence. As demand for domestic lending remains flat in a weak economy and as bond issuance increasingly replaces lending, banks will depend more on foreign growth. Here Sanwa hopes its already much higher proportion of overall lending made overseas will give it a competitive advantage.

But all these strengths are simply relative to Japan's banking sector. Sanwa's problem loans are still high by international standards, and its profitability low. And it faces another challenge at home which might weaken its competitiveness.

The principal risk lies in its affiliated financial institutions. Toyo Trust, a troubled trust bank of which Sanwa is the largest shareholder, represents a substantial headache. It has one of the largest proportions of non-performing loans of any bank in Japan, and shows little sign of improvement. If it deteriorates further, Sanwa could find itself saddled with an expensive bail-out.

That Sanwa is among the strongest of Japanese banks is not in doubt. It enjoys a profound advantage over its rivals in terms of asset quality, profitability, and share of the main growth markets. But it is not yet clear whether it can convert domestic pre-eminence into a genuinely powerful international role. Competing in an increasingly global market will prove a much tougher challenge.

Mitsubishi Bank to help two troubled affiliates, Page 25

BETTER THAN MOST

	Sanwa City banks	Bank average
Problem loans as % of total	2.4	3.3
Problem sector loans as % of total	24.0	28.0
Average annual % growth in operating profits (1989-93)	25.9	14.4
Low cost deposits as % of total	29.7	24.3
BIS capital ratio	9.9	9.7

Source: Salomon Bros



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Sedgwick 1994: a year of progress

Year ended 31 December	1994 £m	Increase %
Revenue	931	15
Profit before tax	94	34
Earnings per share	11.0p	22
Dividend (proposed)	6.5p	8

Sedgwick: a global operator in 63 countries

Year ended 31 December	1994 £m	%
Revenue - geographic analysis		
United States of America	393	42
United Kingdom	316	34
Rest of the world	222	24
	931	100
Revenue - business analysis		
Insurance and reinsurance	720	77
Employee benefits consulting	211	23
	931	100

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INTERNATIONAL COMPANIES AND FINANCE

Svenska Handelsbanken soars to SKr4bn for year

By Christopher Brown-Humes in Stockholm

Svenska Handelsbanken, one of Sweden's leading commercial banks, yesterday reported the second best result in its history, just two years after the severe loan-loss crisis which threatened to cripple the country's banking system.

Operating profits jumped to SKr4.1bn (\$562m) for 1994, from a restated SKr724m in 1993.

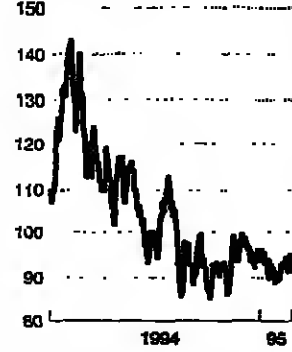
The improvement stemmed from a SKr4bn reduction in credit losses, which helped to offset the impact on underlying business of narrower margins and reduced lending.

Mr Arne Martensson, chief executive, said the outlook for 1995 was encouraging, with credit losses set to fall further and loan demand reviving.

Handelsbanken came through Sweden's financial crisis in better shape than its competitors, and it has been able to build market share, both in Sweden and the other Nordic countries, from a position of strength.

Svenska Handelsbanken

Share price (SKr)



Source: Datastream

The bank said there was no need for it to follow the example of its arch-rival Skandinaviska Enskilda Banken, which last week wrote down the value of its distressed property holdings by SKr4.3bn and plunged to a SKr701m operating loss.

"We feel we have followed prudent rules when it comes to evaluating our property," said Mr Martensson.

Like SE Banken, Handelsbanken took over a large number of properties as collateral for failed loans during the country's banking crisis.

It has grouped real estate worth SKr6.9bn in a special unit called Näckebro, which it intends to sell.

The bank's result before credit losses was down 8 per cent at SKr6.91bn from SKr7.52bn, partly because of lower gains from securities trading and a 5 per cent jump in costs.

Net interest income was 3 per cent higher at SKr2.7bn. Although the comparison is distorted by changed accounting treatment, the bank said that Swedish krona lending volumes had recovered in the second half and at the end of the year stood 6 per cent higher than at the beginning.

Credit losses fell 59 per cent to SKr2.8bn, equal to 0.96 per cent of total lending, while problem loans fell 42 per cent to SKr4.76bn.

The bank proposes to lift its dividend by 50 per cent to SKr3 per share.

Credit Suisse close to Budapest Bank deal

By Virginia Marsh in Budapest

Credit Suisse, the main banking arm of CS Holding, the Swiss financial services group, is close to clinching a deal to acquire a majority stake in Budapest Bank, a leading state-owned Hungarian commercial bank, Mr Lajos Bokros, Budapest Bank president, said yesterday.

The deal, which would be Credit Suisse's first foreign acquisition of a commercial bank, is expected to be the biggest investment in bank privatisation in the former Soviet bloc by a western bank.

It will also be the first western acquisition of a majority stake in a leading east European bank.

Mr Bokros, who is due to leave the bank at the end of the month to become Hungary's finance minister, said Credit Suisse was negotiating to buy a stake of about 63 per cent in Budapest Bank, one of the country's top four commercial banks. The Swiss company is expected to finish due diligence procedures next week.

Until now, it has not been clear whether the state was willing to sell a majority stake in the bank to Credit Suisse. The bank is the second largest Hungarian bank to be privatised, following the sale of a 25 per cent stake in the Magyar Kereskedelmi Bank to Germany's Bayerische Landesbank last summer.

Mr Bokros said the two sides still had to agree on the purchase price. Credit Suisse, which emerged as preferred bidder for the bank in December after an international tender, is expected to pay about \$100m for a majority stake, banking sources said. ING Bank and Allied Irish Banks also submitted bids for Budapest Bank.

Investor confidence in Hungary has been shaken by the last-minute cancellation by the cabinet last month of another large privatisation deal - the sale of Hungarobank to a US investor - and the subsequent departures of the country's reformist privatisation chief and finance minister.

US banks send survival signal

Richard Waters on Fleet Financial's acquisition of Shawmut

The banks with the best track record in the takeover market will be the survivors. That is one of the clearest messages from the biggest banking acquisition yet in New England, which will see Rhode Island-based Fleet Financial swallow up Shawmut National, a Connecticut neighbour, in a deal valued yesterday at \$3.1bn.

Just seven years ago, Fleet and Shawmut were relative minnows in the US banking pond, their assets amounting to \$12bn and \$10bn respectively.

Yet their young managements harboured big aspirations. Both doubled in size through mergers in 1988 - Fleet with Norstar and Shawmut with Hartford National - and each has been bent on a path of absorbing small, locally-based rivals at a frenzied pace over the past two years.

That is where the two institutions' paths diverge. Although each bank was hit hard by the New England property collapse in 1990, the better-capitalised Fleet rebounded far quicker.

As early as 1991 - thanks in

part to an injection of capital from the buy-out firm Kohlberg Kravis Roberts - Fleet was able to profit from the shambles in the local banking industry by picking up the remains of Bank of New England, which had succumbed to the property collapse.

The following year, while still absorbing that bank's \$13bn of assets, Fleet found time for another seven acquisitions involving \$2.3bn in assets. Last year, it paid \$40m for NBB, owner of Massachusetts' largest savings bank.

Under Mr Terry Murray, chairman since 1992 and still only 55, the takeover spree has won Fleet a considerable following on Wall Street.

Mr Murray's management team proved itself adept at wringing the costs out of acquisitions. In deals involving banks in markets where Fleet was already represented, he set a target of cutting 60 per cent of non-interest costs - a figure that the bank says has usually been achieved.

Fleet's ratio of costs to income remains higher than most regional banking rivals,

reflecting the continuing string of takeovers. But the stockmarket valuation accorded the bank reflects a confidence in its ability to keep making the acquisitions pay for themselves.

A year ago, Mr Murray injected extra urgency into the process with an announcement that he planned to cut more than a quarter of the bank's 21,000 staff by the end of 1995.

Shawmut, meanwhile, has proved itself less effective in the race to consolidate among US regional banks, and looks to have paid the price.

Harder-hit than Fleet by the New England recession, Shawmut did not recover its profitability until the end of 1991, and was not able to return to the takeover market until 1993.

Its acquisitions since then have won fewer plaudits than those of Fleet.

Though made at prices which were generally in line with other US bank takeovers - at around 1.8 times book value - Shawmut has failed to act as aggressively in cutting costs.

As a result, its own shares

have slumped more than other US banks in recent months, touching just 1.2 times book value.

Its most recent deal - the purchase of Barclays Business Credit, the asset-based lending unit of Barclays Bank, for a premium of \$24m over book value - failed to lift this gloom.

The higher-rated Fleet, whose shares have been trading on a multiple of closer to 1.4 times book value, has been seen as a possible buyer since last summer.

Both Mr Murray and Mr Joel Alford, chairman of Shawmut, have talked of pulling off mergers with equals in recent months - transactions that would involve neither side paying a premium.

In the event, though, Fleet was forced to offer a premium of more than one third to persuade Mr Alford and his management to cede control.

At around 1.7 times book value at yesterday's market price, though, the deal does not appear to involve Fleet paying over the odds - provided it can keep its cost-cutting machine running smoothly.

Christiania Bank defiant over dividend despite record profits

By Karen Fosell in Oslo

Christiania Bank, Norway's second largest commercial bank, yesterday reported record profits for full-year 1994.

However, the bank said it would not meet the government's demand for a dividend payout ratio of 50 per cent of net profits.

Christiania, in which the state holds 68 per cent, hoisted pre-tax profits last year to NKr1.47bn (\$227m) from NKr622m in 1993. It was helped by a sharp reduction in loan losses and a net reversal of NKr300m in previous loan loss provisions.

However, the bank said it would propose a dividend of NKr0.90 a share, representing about 34 per cent of net profits, after passing the payout for five consecutive years.

It added that the dividend

payment took into account the fact that the bank wanted to maintain its financial strength, at least at the same level as at the end of 1993, said Mr Borger Leimb, managing director.

The dividend row between the government and the banks intensified last week when Den norske Bank, Norway's biggest bank, also defied state demands and proposed a dividend equivalent to 30 per cent of net profits.

This was sharply criticised by the state-backed Bank Investment Fund, which administers the state's bank shareholdings.

The fund, which also administers the state's holding in Christiania, maintained that Christiania could have both strengthened its finances and met the state's 50 per cent dividend demand.

The row could end with the boards and the executive man-

agement of both banks being dismissed if the state refuses to back down.

Christiania's net interest income rose to NKr3.11bn from NKr2.06bn as other operating income - gains on shares, bonds and foreign exchange - fell to NKr1.54bn from NKr2.27bn. It said that 1993 had been an extraordinarily good year for securities and foreign exchange.

Securities gains were cut to NKr183m from NKr731m as foreign exchange gains dropped to NKr182m from NKr286.

However, operating profit, before loan losses, plunged by NKr724m to NKr1.59bn.

Christiania's core capital ratio was 5.9 per cent of risk-weighted assets, unchanged from 1993, but in the short term it aims to lift it to 6 per cent and in the longer term to between 7 and 8 per cent, the average for European banks.

Study shows weakness in corporate accounts

By Norma Cohen, Investments Correspondent

International corporate accounts too often fail to include information institutional shareholders want most.

Details of whether objectives are being met, and information on the profitability of business segments are often missing, according to a study of the annual corporate accounts of 170 large international companies.

It found that fewer than half the 72 types of information considered essential by investors was included in annual reports. California-based Shelley Taylor Associates, a management consulting firm, interviewed 50 of the largest institutional investors in the UK and the US for the study.

Shelley Taylor, which has

been producing the survey annually since 1992, said British and American companies tied for fourth place out of companies from eight countries in terms of the quality of information provided. Swedish, Canadian and French companies tell more.

The report noted that Spanish and Italian companies were slow or reluctant to send their reports and needed constant prodding, while obtaining annual reports from French and German companies was also difficult.

For US investors, segmental analysis by business line was considered very important by 82 per cent, while only 76 per cent of UK investors believed it to be very important.

Full Disclosure 1994, Shelley Taylor and Associates, Queens House, 1 Leicester Place, London WC2H 7BP, £1,500.

Daiwa Europe cuts staff 10% in shake-up

By Conner Middelmann in London

Daiwa Europe, the London-based subsidiary of Japanese broker Daiwa Securities, has cut its staff of some 440 employees by about 10 per cent after a review and restructuring of its European operations.

The job cuts, most of which have hit the London office, range across all parts of the company and do not signal a retrenchment in any particular area, Daiwa said.

"The restructuring is focused on the development and enhancement of the core businesses, which are the fixed income and equity markets", Daiwa said.

In the fixed-income area, Daiwa plans to strengthen its non-yen denominated new issue and secondary business. In equities, it intends to pen-

trate further the new and emerging markets of Asia and eastern Europe. It also said it would change its reporting structure to facilitate a centralisation of the management of its product lines.

Japanese securities houses have come under pressure from continuing weakness in world markets. Trading volumes on the Japanese stock market have declined substantially in the last four years.

Nomura Securities, Japan's largest broker, recently announced an unprecedented group loss for the first 10 months of the current financial year. Its London subsidiary has shed some 50 jobs in the last six months, including 18 UK equity sales staff, traders and analysts, Yamachi International has also shed about 30 of its London staff in recent months.



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THE KOREA-EUROPE FUND LIMITED
INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the audited results for the six months ended 31 December 1994.

	At 31 December 1994	At 31 December 1993
US\$'000	US\$'000	US\$'000
Assets applicable to ordinary capital	309,164	301,272
Net asset value per share	\$8.80	\$7.02
Six Months Ended 31 December 1994	Six Months Ended 31 December 1993	
US\$'000	US\$'000	
Investment Income:		
Dividends	91	107
Bond Interest	401	-
	492	107
Deposit Interest	46	15
Total Revenue	538	122
Expenses and interest	1,703	1,034
Deficit before taxation	(1,165)	(912)
Taxation on the revenue	46	17
Deficit after taxation	(1,211)	(929)
Deficit per share	3.43 cents	3.24 cents

The majority of dividend payments by Korean companies are made in the first six months of the calendar year, as a result, the greater part of the Company's revenue will be received in the final six months of the current accounting period and there is a deficit of revenue after taxation for the six months ended 31 December 1994.

The Interim Report will be mailed to registered shareholders at their registered addresses on 6 March 1995. Copies of the Interim Report will be made available from 6 March 1995 at the offices of Schroder Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4EL.

Enquiries: Schroder Investment Management Limited John P. Bainbridge (0171 382 6742)

JP Morgan

GARTMORE PHOENIX FUND
Announcement to the unitholders

Acting as Management Company of the GARTMORE PHOENIX FUND, the Board of Directors has decided on February 15, 1995 to pay a dividend of 15 cents per unit to all unitholders of the GARTMORE PHOENIX FUND.

The units will go ex-dividend on February 20, 1995 and the payment of the dividend will be carried out on February 24, 1995.

The Board of Directors



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21st January 1995. The principal amount outstanding on 1st March 1995 will therefore be £97,244.58 per £100,000.

Yield to maturity is 4.972% per annum.

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Notice is hereby given that pursuant to paragraph "Redemption" of the Terms and Conditions of the Bonds the following Bonds in the principal amount of ECU 6,000,000 have been drawn by lot and are due for redemption at 100% plus accrued interest on 10th April, 1995:

1240 - 1338	8020 - 8146	8119 - 8176	8821 - 8915	7474 - 7476
1365 - 1367	8181 - 8188	8187 - 8201	8820 - 8854	7480 - 7504
2627 - 2630	8202 - 8287	8203 - 8218	8855 - 8895	7507 - 7509
2642 - 2678	8288 - 8333	8234 - 8310	8896 - 8963	7511 - 7548
2728 - 2743	8334 - 8371	8317 - 8329	8964 - 9063	7552 - 7584
2745 - 2765	8372 - 8380	8333 - 8374	9064 - 9105	7585 - 7595
2767	8381 - 8382	8375 - 8393	9106 - 9115	7596 - 7607
2814 - 2814	8394 - 8749	8402 - 8423	9116 - 9117	7608 - 7611
2824 - 2860	8750 - 8781	8445 - 8570	9118 - 9119	7612 - 7613
2865 - 2904	8782 - 8808	8583 - 8631	9120 - 9121	7614 - 7615
2912 - 2923	8809 - 8827	8632 - 8638	9122 - 9123	7616 - 7617
2924 - 2933	8828 - 8869	8639 - 8690	9124 - 9125	7618 - 7619
2934 - 2988	8870 - 8924	8691 - 8736	9126 - 9127	7620 - 7621
2989 - 3006	8925 - 8944	8737 - 8807	9128 - 9129	7622 - 7623
3007 - 3018	8945 - 8947	8808 - 8811	9130 - 9131	7624 - 7625

Interest will cease on the Bonds called for redemption on and after the Redemption Date.

Payment will be made upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to the Redemption Date, at the office of the principal paying agent:

Banque Nationale de Paris (Luxembourg) S.A.

24 Boulevard Royal, L-2582 LUXEMBOURG

The principal amount of the Bonds remaining outstanding after 10th April, 1995 will be ECU 6,000,000.

The Fiscal Agent: Banque Nationale de Paris (Luxembourg) S.A.

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HIGHLIGHTS

- Attributable income up 54%
- Significant first contribution from Billiton
- Interim dividend raised by 20% to 6 cents per share
- Market capitalisation increased by 69%

GENCOR

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 1994

	6 months to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited)	Increase %
R million			
Attributable income	392	254	54.3
Net assets (at valuation)	18 790	14 509	29.5
Market capitalisation	20 090	11 902	68.8
Cents per share			
Attributable income	28.5	18.5	54.1
Cash earnings	14.7	9.6	53.1
Dividends	6.0	5.0	20.0
US\$ million			
Attributable income	109	76	43.4
Net assets (at valuation)	4 967	3 470	43.1
Market capitalisation	4 930	2 774	77.7

COMMENTS ON RESULTS

Summary of performance

The period under review was characterised by the substantial maiden contribution from Billiton International as well as improved operating results from all the other group operations. Income earned from operations rose by 50 percent to R422 million, reflecting the long awaited improvement in the commodity markets experienced by group companies, as well as the return on the Billiton assets exceeding that previously earned on operations for the four months to 31 December 1993 included dividends and equity accounted retained income in respect of six months from most of the group operations. Net corporate expenditure increased slightly to R50 million, so that in aggregate, attributable income for the six months amounted to R392 million, 54 percent higher than the period to December 1993 and some 20 percent up on the performance of the six months to June 1994 (excluding the abnormal income in the form of one-off tax adjustments reported in that period). This corresponds to earnings of 28.5 cents per share of which cash earnings comprised 14.7 cents per share. An interim dividend of 6 cents per share has been declared.

Gencor's net asset value at valuation amounted to R18 790 million by the end of December 1994, an increase of 13 percent on the asset value on 30 June 1994. Gencor's shares traded on the JSE at 1 460 cents per share on 30 December 1994, representing a market capitalisation of R20 090 million. During the six months period to 31 December 1994 the Gencor share price strengthened by 39 percent, outperforming the JSE all share index by 28 percent and the mining house index by 25 percent.

Operational review

The most significant feature of the six months' results is the contribution made by the Billiton group in the first reporting period after its acquisition. Billiton, including Richards Bay Minerals, reported attributable income of US\$52 million for the six months to December 1994. Turnover of the Billiton group, including the group's marketing activities but excluding the turnover of associates RBM, Cerro Matosa, Sao Bento and Valeul, and the investment in MRN, amounted to US\$1 074 million. Of this turnover, some 35 percent represents sales of commodities produced by group subsidiaries and joint ventures, with the balance reflecting third party trading. Profits from mineral and metal sales, after depreciation, before interest and taxation, amounted to US\$104 million. These derived mainly from the aluminium and alumina operations with important contributions from the copper and zinc operation in Canada and from the group's metal and mineral marketing and brokerage. No contribution is reported from the Angaitsh refinery or Boké mine in Guinea as their acquisition is still subject to outstanding waivers of pre-emption, exercisable before the end of the financial year. Depreciation is calculated on the value of the fixed assets implied by the overall acquisition price and their estimated future economic lives. Associated companies, including RBM, contributed a net US\$20 million to earnings. (RBM achieved a further improvement in operating income for the six months to 31 December 1994.) The Billiton group's total debt, net of cash, on 31 December, excluding the convertible bonds, amounted to US\$470 million. Net financing charges for the period totalled US\$25 million. After allowing for a potential dilution of 22.6 percent in Gencor's holding on the possible conversion of the bonds issued to Shell, income attributable to Gencor for the period amounted to R142 million. Additional information on Billiton's results is provided elsewhere in this announcement.

During the second half of the financial year Billiton will experience higher financing charges as the normal interest arrangements on the acquisition debt will apply over the full period. When the Billiton acquisition was announced it was indicated that the refinancing of the debt package was an important objective. The recent strength in the aluminium market and Billiton's satisfactory interim results have created the opportunity to refinance sooner than initially envisaged, and Gencor/Billiton has received an underwritten offer on terms significantly more favourable than the current financial package. This offer and other options are currently being evaluated.

Income before tax from Billiton's operations would have been US\$27 million higher if the group had not had in place at the effective date of acquisition forward sales positions that fell due in the six months under review. The influence of forward sales positions, which were in place on the effective date, will decline over the coming twelve months.

Samancor achieved a further improvement in operating results for the six months ended 31 December 1994. Income before abnormal items amounted to R150 million, an increase of 35 percent compared to the corresponding period of the previous financial year. This was largely due to an improvement in sales volumes, a more beneficial exchange rate and most cost increases being held well below the inflation rate. Average sales prices achieved for the period under review were generally lower than the corresponding period of the previous financial year. After taking into account abnormal profits of R53.9 million in the previous financial year, attributable income decreased by 9 percent and Samancor's total contribution to Gencor's earnings decreased by 6 percent.

Gold output at Gengold declined by 2 634 kilograms to 31 449 kilograms compared to the corresponding six months period in 1993. The average grade recovered from underground ore declined marginally to 0.6 gram per ton while gold production costs increased by 16.7 percent to R32 815 per kilogram. These negative developments were offset by a 16 percent increase in the average gold price received of R44 289 per kilogram. As a result, Gengold's earnings for the six months under review were 10 percent up at R171.5 million. Six months fee income compared to the previous four months, combined with the change in accounting policy on recognition of dividend income implemented during the second half of the 1993/94 financial year, further boosted Gengold's total contribution to Gencor's earnings to R78 million, 56 percent up on the earnings reported for the period to December 1993.

A net increase in dollar revenues per ounce of platinum sold and a weaker rand/dollar exchange rate, offset partially by lower sales volumes, resulted in a 6 percent increase in Implats' turnover for the six months to December 1994. While the platinum and palladium markets remained steady, the nickel price surged upwards, but the rhodium market slipped by a further US\$100 per ounce. Attributable income for the period increased by 54 percent to R128 million compared to the six months to December 1993 as a result of successful cost containment. After allowing for capital expenditure on new capacity related to the completion of the metallurgical plant and 14 Shaft, which more than doubled during the review period, Implats' total contribution to Gencor's earnings at R52 million was 40 percent higher than the corresponding period in 1993.

The period under review saw the successful merger of the operations of Trans-Natal and Rand Coal, to form the Ingwe Coal Corporation with effect from 1 October 1994. Gencor retained its direct holding in Trans-Natal, although diluted to approximately 43 percent, with Trans-Natal obtaining a 51 percent controlling interest in Ingwe, giving Gencor an effective 22 percent holding in the new coal group. The first results of Ingwe were adversely affected by two derailments on the Richards Bay rail link during October 1994 which resulted in the postponement in shipments and consequently lower than anticipated export sales. Notwithstanding the effect of the derailments, sales tonnages increased by almost 14 percent compared to the six months to December 1993 and, together with an increase in sales prices achieved, resulted in an increase of 32 percent to R78 million in income before extraordinary items. The new coal group's total contribution to Gencor for the period, at R42 million, was 50 percent up on the coal contribution for the period to December 1993.

The contribution from Alusaf doubled to R8 million compared to the corresponding period in 1993, reflecting the higher

aluminium price levels achieved during the current review period. Kelgram's interim results for the six months to August 1994 showed a 30 percent improvement in earnings, mainly the result of an increase in sales volumes. Kelgram has changed its year-end from February to June and its results for the ten months to June will therefore be accounted for in Gencor's results for the next six months.

The increase of 143 percent in Net income from investments is mainly the effect of the six months versus four months reporting period as well as a reduction in expenditure at the corporate level. Financing cost incurred doubled from that reported for the four months to December 1993. The increase reflects the longer accounting period as well as an increase in corporate Gencor's debt level during the period to fund its capital commitments. At the end of December 1994 shares held in Gencor's trading portfolio and available to be realised to offset the increased debt were valued at more than R700 million. Exploration and projects costs increased by some 23 percent based on a comparable reporting period.

Oryx

On 29 November 1994, Gengold announced that current activities at Oryx mine will be concentrated on reef development to establish certainty on the size and grade of the ore body within acceptable confidence limits to proceed with the refinancing of the project. Gencor has agreed to provide the necessary funds at R12 million per month to achieve the required additional reef development by December 1995. Negotiations with the bankers of Oryx Gold Holdings on the rescheduling and refinancing of their loans to the project are continuing. Given the project's uncertainty, adequate provisions exist or have been made to reduce Gencor's net exposure to Oryx to acceptable levels.

Gencor's balance sheet

The Gencor balance sheet remains strong with total investments valued at more than R19 billion and only limited debt at the corporate level. The debt level increased somewhat during the review period as cash resources were depleted in funding the group's capital commitments. The realisation of investments held in a trading portfolio as well as certain other non-core investment holdings should reduce the debt to lower levels by the end of the financial year. It remains Gencor's general policy of not providing guarantees in respect of the financial commitments of group operations. In accordance with this policy none of the loan funding raised on the acquisition of the Billiton assets is with any recourse to Gencor. (On a pro forma consolidation accounting basis total long term group debt on 31 December 1994 would amount to R2.9 billion in long term loans and a further R1.4 billion in respect of convertible debentures. Gencor's own commitments were however limited to R342 million.)

Major projects

The Hillside Smelter project at Alusaf is proceeding on schedule and first metal is expected to be produced by mid 1995 with full production to be achieved by June 1996. Total project expenditure is now forecast to be at least R1.2 billion below budget. The project is expected to start contributing towards Alusaf and Gencor's earnings in the 1995/96 financial year.

The Columbus Stainless Steel Joint Venture is proceeding in accordance with budget and is currently some 90 percent complete. First metal from the new facilities is also expected in mid-1995.

Outlook

In our 1994 annual report we stated that we expect the 1995 income at the operating level to reflect a healthy improvement over 1994. This would be partially offset by the expected decline in income from investment as our investment portfolio is realised to fund our major projects, the earnings contribution of which will appear in the next year or two. If the current commodity prices are maintained for the balance of the financial year we should improve on the performance of the current six months in the second half of the financial year.

INTERIM DIVIDEND

An interim dividend No. 138 (coupon No. 147) of 6 cents (1994 - 5 cents) per ordinary share has been declared, payable on 29 March 1995 to shareholders registered on 10 March 1995. The share register will be closed from 13 March to 24 March 1995.

In the case of non-resident holders of shares, tax of 15 percent will be deducted, where applicable.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 17 March 1995, or on the first day thereafter on which a rate of exchange is available.

On behalf of the board

B P Gilbertson
M L Davis

Johannesburg
20 February 1995

GENCOR LIMITED
Registration Number 01/01252, 06
Incorporated in the Republic of South Africa

INCOME STATEMENT

	6 months to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited) (Note 1)	% Change
R million			
Dividend and net fee income	233	154	51.3
Equity accounted retained income	189	128	47.7
Income from operations	422	282	49.6
Net income from investments	68	28	142.9
Financing costs	(24)	(12)	100.0
Exploration and project costs	(59)	(32)	84.4
Income before taxation	407	266	53.0
Taxation	(15)	(12)	25.0
Attributable income	392	254	54.3

INCOME FROM OPERATIONS

	6 months to 31.12.94 Rm	%	4 months to 31.12.93 Rm	%
By Company				
Gengold	78	18	50	18
Implats	52	12	37	13
Ingwe Coal	42	10	28	10
Samancor	80	19	85	30
Billiton International	142	34	0	0
Alusaf	8	2	4	1
Other	20	5	78	28
	422	100	282	100
By Commodity				
Gold	78	19	50	18
Platinum group metals	52	12	37	13
Coal	42	10	28	10
Chromium, manganese and ferroalloys	80	19	85	30
Titanium mineral sands	59	14	60	21
Aluminium related commodities	52	12	4	1
Nickel	14	3	0	0
Other	45	11	18	7
	422	100	282	100

BALANCE SHEET

	31.12.94 (Unaudited)	31.12.93 (Unaudited)
R million		
Capital employed		
Shareholders' interest	7 573	7 026
Long term loans	342	173
Deferred taxation	26	38
	7 941	7 237
Employment of capital		
Investments	7 865	6 410
Valuation	(18 728)	(13 672)
Fixed and other non-current assets	302	237
Net current assets/(liabilities)	(226)	590
Valuation	(128)	(811)
	7 941	7 237

SHAREHOLDERS' INTEREST AT VALUATION

	31.12.94 Rm	%	31.12.93 Rm	%
Gengold	2 301	12	3 216	22
Implats	2 870	16	1 750	12
Ingwe Coal	1 363	7	528	4
Samancor	4 863	26	2 495	17
Billiton International	3 008	16	0	0
Alusaf	1 913	10	888	6
Other	742	4	2 985	21
Operations	17 060	91	11 862	82
Investments and Corporate	1 730	9	2 647	18
Net asset value	18 790	100	14 509	100

Notes

- The comparative results for the four months to 31 December 1993 included dividends and equity accounted retained income in respect of the six months to 31 December 1993 from most of the group's operating companies.
- Equity accounted retained income is accounted for after taxation.
- Comparative figures used for the period to 31 December 1993 in respect of "Other" in the breakdown (By Company) of Income from Operations and Shareholders' interest at valuation include the valuation of and the income earned in that reporting period from RBM and Sao Bento as well as from those assets (mainly Trans-Natal share) realised to ensure Gencor's holding in Billiton.
- The allocation of Income from Operations by commodity is based on the income attributable to Gencor from each of the operations and, where applicable, ensures an appropriate allocation of interest, overheads and other costs.

INCOME STATEMENT FOR THE SIX MONTHS TO 31 DECEMBER 1994

	US\$m
Turnover (excluding associates)	1 074
Operating income	122
Depreciation	(18)
Profit on mineral and metal sales	104
Aluminium and related commodities	63
Base and precious metals	41
Corporate costs and exploration	(24)
Profit from operations	80
Net interest paid	(25)
Income before taxation	55
Taxation	(23)
Profit after taxation	32
Income from associates	20
Aluminium and related commodities	6
Base and precious metals	14
Attributable income	52

BALANCE SHEET AS AT 31 DECEMBER 1994

	US\$m
Capital employed	
Shareholders' interest	1 177
Convertible bonds	300
Long term loans	397
Deferred taxation	7
	1 881
Employment of capital	
Mining and other fixed assets	995
Investments	777
Net working capital	109
	1 881
SALES STATISTICS	
Alumina	
Sales from Billiton production (k tons)	577
Aluminium	
Sales from Billiton production (k tons)	107
Nickel	
Sales from Billiton share of production (m lbs)	11.3

INTERNATIONAL COMPANIES AND FINANCE

Strong Odyssey sales lift Honda

By Michio Nakamoto
in Tokyo

Honda, the Japanese carmaker, came close to doubling its third-quarter consolidated profits on the back of strong sales for a new recreational vehicle launched in the domestic market and continued cost-cutting.

At the pre-tax level, profits for the three months to the end of December soared to ¥24.46bn (\$253m) from ¥12.54bn a year earlier.

At the net level, earnings rose to ¥12.98bn from ¥5.76bn previously.

The strong quarter resulted in a rise in pre-tax profits for the nine-month period to ¥81.1bn from ¥35bn in 1993.

The increase in the third quarter came in spite of a 4.6 per cent fall in revenues to ¥904.7bn from ¥947.9bn, which Honda attributed to the appreciation of the yen and weaker sales in the North American and European markets.

In the three-month period, the company recorded lower



Driving force: Odyssey recreational vehicle sold well in Japan

unit sales in North America and Europe compared with the previous three months, in which the launch of the new Accord, one of Honda's most popular models, had triggered strong demand.

The Japanese market appears to have bottomed out, although Honda benefited from the launch of its new recreational vehicle, the Odyssey, which has sold more than twice as many units as initially targeted.

The vehicle is due to go on sale in the UK as the Honda Shuttle in June.

While Honda was helped by the recovery in the Japanese market, its cost-cutting efforts also continued to make a substantial contribution to the surge in profits.

Cost reductions led to savings of ¥17bn at the operating profit level in the three months and ¥53.5bn during the nine-month period.

Honda is optimistic about

the outlook for all three of its core markets.

It expects the Japanese market to continue its recovery and also forecasts growth in the North American and European markets.

The company hopes to sell 902,000 units in North America, of which 830,000 are expected to be sold in the US.

This represents an increase of 5.2 per cent in US sales, compared with Honda's prediction of 4.9 per cent growth in the overall US market.

Honda is also forecasting aggressive growth in the European market, where unit sales are targeted at 200,000 for the year, representing a 16.5 per cent increase over 1994.

Honda is forecasting that the overall European market will grow by 4 per cent.

● Reuter adds from Tokyo: Honda said it believed group net profits for the year ending March 31 1995 will exceed the company's November forecast of ¥500m.

Honda had a ¥23.7bn group net profit in 1993-94.

Mitsubishi Bank plans further aid for affiliates

By Gerard Baker
in Tokyo

Mitsubishi Bank, one of Japan's largest financial institutions, is considering a further package of measures to assist two troubled affiliate companies.

It is expected to record the assistance as a write-off within the current financial year, which ends on March 31.

The bank says it has not decided how much support to provide to the two companies, Diamond Mortgage and Diamond Factors. However, newspaper reports suggest the figure could be as high as ¥100bn (\$1bn).

Mitsubishi is expected to buy non-performing loans from the two affiliates and sell them on to the Co-operative Credit Purchasing Corporation - an agency set up and funded by the banking industry for the disposal of bad loans - at a much lower price.

The difference between the two figures will appear as a reduction in assets on the bank's balance sheet.

The move is unlikely adversely to affect the company's profits for the current financial year. Analysts expect Mitsubishi to cover the loss by realising a larger gain on its own holdings of equities than previously planned.

Mitsubishi has been extending support to the two companies for several years. The Diamond companies experienced serious asset-quality problems as a result of over-ambitious property-related investments in the late 1980s, in the year to March 1994, the bank wrote off ¥77bn. It charged a further ¥108bn in the six months to September.

Last October, Mitsubishi added another troubled company to its list of subsidiaries when it purchased a controlling stake in Nippon Trust Bank, an institution with substantial problems also related to the property sector. Mitsubishi recently announced the move was likely to cost it about ¥200bn in the write-off of non-performing loans this year.

In spite of the burdens of these related companies, Mitsubishi is one of the stronger Japanese banks, with one of the smallest portfolios of non-performing loans as a proportion of total assets.

Most analysts believe that the bank's actions are an indication of its determination to rid itself as quickly as possible of its affiliates' bad loan problems.

The bill finance industry is

Dangers lurk in freer short-term debt market

Liberalisation of commercial paper issuance in Taiwan will force a shake-out, writes Laura Tyson

Taiwan will pass a milestone in the liberalisation of its financial markets within the next week when the ministry of finance grants a licence - the first in nearly 20 years - allowing a newly-formed bill finance company, Taichung, to issue and deal in short-term debt instruments.

As many as five more licences may be handed out by the end of the year, and more applications are expected in a campaign which will give a big push to the domestic market in commercial paper and bankers' acceptances.

Issuance and trading in commercial paper and bankers' acceptances has shot up over the last two years, following the partial lifting of restrictions in 1992. New central bank figures show commercial paper issues outstanding jumped to T\$536bn (US\$20.3bn) in 1994 from T\$340bn in 1992, making Taiwan's market twice as large as that of the UK.

"Easing, disintermediation - by-passing the middle man - is an international trend which would have taken place much earlier if we had a more liberal environment," said Mr Eli Hong, executive vice-president of Taipei Business Bank, the biggest participant among the banks in terms of daily turnover.

"Soon we will see a whole lot of new players chasing the same business in what is already an over-banked market. These are all textbook developments, but for many players the experience will not be very pleasant."

The shake-out will help companies by giving them access to cheaper short-term funds. However, it is expected to squeeze profit margins in traditional corporate banking and send credit standards lower.

Foreign and government-owned banks are expected to suffer most as market share in important business areas is redistributed.

The bill finance industry is

Taiwan short-term debt		
	Commercial paper outstanding (T\$bn)	Bankers' acceptances outstanding (T\$bn)
1988	85.8	43.5
1989	134.7	57.0
1990	262.0	85.0
1991	284.6	50.1
1992	340.7	55.4
1993	509.2	141.8
1994	536.4	192.2

Source: Taiwan's Central Bank of China

now dominated by three companies - Chung Hsin, Chung Hua and International Bills Finance - founded in 1976. New entrants are expected to fuel growth in the short-term paper market and cut into the leading business of banks.

The ministry of finance first allowed banks to trade money-market bills in 1992, but the more lucrative business of underwriting and endorsing short-term commercial paper has remained the province of the three finance companies. In reforms to take effect in August, banks will be allowed to underwrite and endorse bills as well.

Trading volume in commercial paper rose to T\$24.99bn last year from T\$17.82bn in 1993. Bankers' acceptances outstanding climbed to T\$192bn from T\$55.4bn in 1992, according to the central bank.

The arrival of 16 private-sector banks in 1992, following a three-decade ban on new licences, injected new life into a state-dominated banking system fettered by heavy-handed regulations, anachronistic lending practices and poor service. The aggressive new banks have grabbed market share from the old banks, which are run as part of the government bureaucracy, and are keen to enter the bills business.

A shift from loans to short-term marketable securities will affect the structure of the banks' balance sheets, and require more sophisticated financial management than Taiwanese banks are used to. The anticipated surge in competition in the corporate

banking market is likely to force many banks to devote more resources and manpower to consumer banking, until quite recently a severely neglected market. Given the general dearth of quality retail banking services, especially among the government banks, there is room for development in this market, particularly in consumer finance, a senior foreign banker said.

However, increased competition has its dangers as well, particularly in a market such as Taiwan where there is no established credit information or rating system, and where financial disclosure requirements are minimal and accounting standards are lax. Such deficiencies, bankers say, will hamper development of consumer finance, the ministry of finance is trying to encourage to help soak up underground lending.

Banks and bill finance companies will be forced downmarket in search of business, resulting in a rise in credit risk. Some bankers fear credit standards may be relaxed to attract business. The volume of business will grow, but profit margins will shrink.

This could deal a blow to the banking industry, already suffering from a slump in the property market. Liberalisation of the bill finance market coincides with tighter standards, set to take effect next month, for the calculation of bad debts. Much higher bad loan ratios are expected as a result, bankers say.

Higher tax charge hits Ampolex

By Nikki Tait in Sydney

Ampolex, the Australian oil and gas producer, yesterday reported a fall in net profits for the six months to end-December, to A\$21.5m (US\$15.3m), from A\$26.7m a year earlier.

The decline was due to a sharply increased tax charge of A\$2.2m, compared with A\$25.4m previously, and a A\$4.12m abnormal charge after an abnormal a year earlier.

Operating profits before tax and abnormal rose to A\$57.8m from A\$52.1m while revenue dipped to A\$295.6m, against A\$298.4m.

Ampolex said the results had been achieved in the face of a 10.9 per cent decline in the crude oil price received by the company - largely because of the appreciation of the Australian dollar.

However, the results also included a A\$11.2m unrealised foreign exchange gain - compared with a A\$3.9m surplus a year earlier - and lower finance costs of A\$6.7m, against A\$13m.

Exploration expenditure rose to A\$19.7m from A\$7.1m. The company said it planned a "renewed commitment" to exploration activity in 1995, and expected to drill at least 60 exploration wells. These would include seven in Papua New Guinea, 13 in Argentina, 15 in the US, and 23 in Australia, mainly in the Carnarvon Basin.

Improved commodity prices help advance at Gencor

By Mark Suzman
in Cape Town

Gencor, the South African mining house, has reported a rise in attributable earnings to R392m (\$110.8m) for the six months to December 31.

A year ago, it reported attributable earnings of R254m for the four months to the end of 1993, included in that figure, however, were dividends and equity-accounted retained income for six months from most of the group's operating companies.

Operating income for the 1994 period was R422m, compared with R282m for the earlier four-month period, as most of the group's companies benefited from improved prices in commodity markets, especially

those in base metals. Of total profits, chrome, manganese and ferro-alloys were responsible for 19 per cent, while gold production contributed 18 per cent.

The rise in attributable income was also helped by R88m in income from investments. Earnings amounted to 28.5 cents a share, of which 14.7 cents were cash earnings, and there was an interim dividend of 6 cents, up 20 per cent on the previous payout.

The group's net asset value grew to R18.79bn during the six months to the end of December.

Overall results were boosted by the first-time inclusion of Billiton International, the minerals company acquired last

year from Royal Dutch Shell, which contributed R142m of total income.

Taken as a separate company, Billiton's turnover, excluding associates Richards Bay Minerals, Cerro Matosa, São Bento and Valeul, amounted to \$1.07bn for the period.

Operating profits came to \$104m, most of which came from aluminium and alumina, although copper and zinc produced by the company's Canadian operations also performed well.

Mr Brian Gilbertson, Gencor executive chairman, said he was particularly pleased with Billiton's performance. "These results vindicate Gencor's decision to acquire Billiton's assets," he said.

Kirin Brewery climbs 23.7%

By William Dawkins
in Tokyo

A hot Japanese summer and thirsty customers helped Kirin Brewery, the country's largest beer producer, to turn the corner in 1994 after two years of profits decline.

Kirin, the fourth largest brewer in the world, yesterday reported a 23.7 per cent rise in consolidated recurring profits - before tax and extraordinary

items - to ¥107.67bn (\$1.1bn) in the year to December, exceeding most equity analysts' expectations. That compares with a ¥87.06bn profit a year earlier.

Sales rose less sharply than profits, with turnover up 7.9 per cent to ¥1,700bn, implying an improvement in margins. Net profits rose 21.6 per cent to ¥52.22bn, or ¥49.61 a share, up from ¥40.78.

Kirin attributed the improve-

ment to a 7 per cent increase in beer sales, which account for 87 per cent of its turnover. The company holds about half of the Japanese beer market with its own brands and Budweiser, the leading US imported beer which Kirin has marketed in Japan since September 1993.

However, Kirin does not expect to repeat the recovery this year, and forecast a fall in recurring profits to ¥97bn, on sales up slightly to ¥1,740bn.

Matsushita posts sharp rise for third quarter

By Michio Nakamoto

Matsushita, the Japanese consumer electronics group, yesterday reported a 93 per cent rise in consolidated pre-tax profits for the third quarter, helped by buoyant sales of information and communications equipment and cost-cutting measures.

Pre-tax profits rose to ¥91bn (\$835m) from ¥47.1bn in the three months to December. Sales were up 5 per cent to ¥1,888.7bn from ¥1,764.3bn previously. Net income nearly quadrupled to ¥40.3bn from ¥10.8bn.

The third-quarter results contributed to a 67 per cent rise in the group's pre-tax profits in the nine months to December, to ¥175.5bn from ¥105.2bn.

Like many Japanese consumer electronics makers, Matsushita is seeing its chief profit areas shifting away from traditional products such as audio and video equipment to information and communications

equipment and electronic components.

Strong sales of information and communications equipment, such as cellular phones and personal facsimile machines, in Japan were a leading factor behind the group's improved performance.

CD-Rom drives and hard disc drives were supported by buoyant growth in the personal computer market. Factory automation equipment also saw strong demand. As a result, the communication and industrial equipment division posted sales growth of 11 per cent.

The strong semiconductor market lifted sales in the electronic components division by 12 per cent, while solid battery sales helped the battery and kitchen-product division post 10 per cent sales growth.

Entertainment revenues from the group's Hollywood MCA unit rose 5 per cent in spite of the stronger yen.

India's Premier Automobiles back in profit

By Shiraz Sidhva in Bombay

India's Premier Automobiles made a net profit of Rs187m (\$6m) for the 18 months ended in September 1994, swinging from net losses reported for the previous two fiscal years. Shiraz Sidhva and agencies report from New Delhi.

The company posted a net loss of Rs224m for the year to March 31 1994. It attributed the turnaround to restructuring measures and voluntary retirement schemes, which have resulted in about 9,000 job losses.

However, analysts said favourable terms for the sale of one of the company's plants to a joint venture between Premier and Peugeot of France also played an important role in the improvement. The company has not provided details of the disposal.

Sales during the 18 months to September reached Rs3,235m, compared with Rs3,795m for the previous 12 months. Operating profit was Rs1,07bn against Rs123.4m.

TNT ahead at interim stage

By Nikki Tait

TNT, the Sydney-based transportation group, yesterday reported a profit after tax but before abnormal items of A\$54m (US\$33.6m) in the six months to the end of December, compared with A\$25.5m a year earlier.

Earnings growth was helped by strong performances from TNT's UK and German operations, an improvement in its core Australian businesses, and lower interest charges.

Abnormal items resulted in a A\$19.1m surplus, compared with a A\$3.2m charge a year ago, leaving bottom-line profits at A\$73m, against A\$22.3m last time. Earnings per share on a fully-diluted basis were 9.3 cents, against 3.5 cents.

The company said full-year

profits should be in line with targets set in mid-1993, and that it hoped it could resume paying a dividend soon.

The share price responded by adding 5 cents to close at A\$1.82.

Operating profit, before interest, tax, depreciation and abnormal, rose to A\$183.7m from A\$173m, on revenues up to A\$3,061m from A\$2,855m.

TNT said there had been strong contributions from most of its Australian businesses, from TNT Canada (although this was dented in Australian dollar terms by the currency's recent strength), from the UK, and from certain parts of the German business.

The troubled Spanish operations saw reduced losses, and the French unit became profitable during the half-year.

GD Express Worldwide, the express delivery joint venture with a number of international post offices, also moved into the black during the last quarter, with the result that TNT's share of losses for the half-year fell to A\$9.75m from A\$24.6m.

TNT's 50 per cent interest in Ansett, the Australian airline, was less rewarding, with disruptions at Sydney airport and costs and difficulties stemming from the start-up of Asian services blamed for a fall in profits.

Overall, the contribution of Australian aviation interests to operating profits fell to A\$33.6m from A\$43.8m.

Interest charges slipped to A\$32.1m from A\$41.3m, with the ratio of net debt to shareholders equity remaining stable at 0.93, compared with 0.92.

Bahrain bank in Indian venture

By Shiraz Sidhva in Bombay

TAIB Bank, the Bahrain-based global investment and merchant bank, has collaborated with nine large Indian corporations to set up a joint venture to be based in Bangalore.

The new venture, TAIB Capital Corporation, will have initial paid-up capital of Rs500m (\$1.6m), and will start operations in June.

TAIB Bank, which recorded a profit of \$9.58m last year, is the first Gulf institutional investor to be recognised by

India's Securities and Exchange Board, the government's stock market watchdog.

The bank will hold 51 per cent of the equity in the venture, with the balance being equally shared by its nine Indian partners.

The partners include: Essar, a Madras-based industrial group with interests in shipping, steel, oil and gas, offshore construction and drilling, power and finance; Kotak, Mahindra Finance, a division of Mahindra and Mahindra, the auto, tractor and heavy engi-

neering group; Usha Martin, the Calcutta-based steel group; the Murgurappa group; Bharada Rayon Corporation; Western India Industries; Hindustan Alloy; South Indian Bank; and ITC, the Calcutta-based tobacco, paper and hotels conglomerate.

ITC's plans to set up a joint venture with Fergene Capital, the Asian Investment group, fell through last year. Fergene has since entered the Indian market through a joint venture with five other Indian companies.

Investors learn to dance the Salim Group shuffle

The Indonesian group's Bogasari business is again being shifted between balance sheets, writes Manuela Saragosa

Asset shuffles at Salim Group, one of Indonesia's largest and most powerful conglomerates, are not popular among investors in the group's listed companies, which rank among the largest on the Jakarta Stock Exchange.

Yet Salim officials have confirmed that the group plans to sell Indocement Tungal Frakasa's 100 per cent equity in Bogasari, a flour-milling operation, to Indofood Sukses Makmur, a Salim Group company which was listed in July last year. After the transfer, Indocement will still indirectly own Bogasari through its 51 per cent stake in Indofood.

It will be the second time that Bogasari finds itself transferred between balance sheets of Salim Group companies. In 1992, when Bogasari was injected, for about \$400m, to Indocement the transfer also involved selling a 51 per cent stakeholding of Indofood and a 21-storey building in central Jakarta to Indocement.

The moves were not welcomed, as investors complained that the assets

were overvalued, leaving minority shareholders feeling cheated. This time, the asset shuffling is between two listed companies of the Salim Group, and officials at both assure investors that the interests of shareholders will be their top priority. "In this case, at the very least if it's detrimental to one of the companies, it will be beneficial to the other," says one Jakarta-based foreign broker.

While the transfer is certain to benefit Indocement, which will become a pure cement play on the stock market, the benefits for Indofood are less clearly defined.

It will help Indocement, which is a highly-gearred company, relieve its debt burden. Bogasari, which was a 86 per cent share of Indocement's flour market, has a virtual monopoly on flour milling, has about Rp400bn (\$188m) in debt - injecting its assets

into Indofood would remove a unit from Indocement's balance sheets that has always had lower margins than the cement business. The transfer will also allow Indocement to focus on its core cement business. Cash from the sale of Bogasari will help finance Indocement's plans to expand annual production to 14.5m tonnes a year by 1997 from the current 9.4m tonnes.

Details of the transaction have not been worked out, but debt financing and a rights issue at Indofood are under consideration. An independent team will value Bogasari, which could be worth as much as \$700m.

Transferring a food division from a cement producer to a food manufacturer might appear a logical step. Mr Sudwikatmono, president director of

both Indocement and Indofood, says the acquisition will "enhance Indofood's standing as the largest integrated food manufacturer in the region". The acquisition will link Indofood with its main raw material supplier for its noodle business, but Bogasari's operations and Indofood are linked anyway because they are controlled by the same parent company. "There is no hint that simply by owning the company Indofood will benefit either in terms of access or pricing," says Mr James Spence, head of research at W.L. Carr in Jakarta.

Neither is Bogasari likely to benefit in terms of access to Indofood's marketing skills. Flour is a highly-regulated commodity in Indonesia - imports are banned and the government controls its procurement. As a result, "flour is a product where

branding means nothing in Indonesia," says Mr Spence.

Indofood is a cash-rich company, with estimated reserves of about Rp1,000bn, and is ready to make new investments. Salim Group officials say Bogasari will remain a separate entity within Indofood and that the transfer will smooth out the financial structure of the unit and prepare it for an eventual separate listing.

However, there is suspicion that Indofood's money is being used simply to help the parent company cash in on its maturing businesses. The Indonesian government may well give in to pressure to deregulate food imports and this could hurt Bogasari.

Analysts also note that when the Salim Group decided last year to sell part of its 100 per cent holding of Indofood in an IPO, the money raised went straight to the parent.

In the end, the rationality of the transfer will depend on the price of the sale and its financing arrangements, both of which must be approved by minority shareholders.

EURO MEDIUM TERM NOTES
SOCIETE GENERALE
ACCEPTANCE NV
FRF 200,000,000
ONE YEAR DEM
LIBOR LINKED
NOTES DUE
AUGUST 16TH, 1995
ISIN CODE:
XS0052324497

Notice is hereby given to the Noteholders that from August 16th, 1995 to August 16th, 1995, the Interest Rate has been fixed at 3.9375 % p.a. with an interest amount of FRF 3,937.50 per denomination of FRF 100,000.

Payment of the Interest Amount and Redemption of the Nominal will be made on August 16th, 1995 in accordance with Condition 6 "Payment" of the Terms and Conditions of the Notes.

THE PRINCIPAL PAYING AGENT GENERAL SOCIETE GENERALE GROUP

15, Avenue Emile Reuter LUXEMBOURG

USD 150,000,000

ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A.

Floating Rate Depositary Receipt due 1998

Interest Rate 6.875% p.a.

Interest Period February 21, 1995 to August 21, 1995 per

Interest Amount due on USD 1,000 USD 34.57 USD 10,000 USD 345.66 USD 100,000 USD 3,456.60

BANQUE GENERALE DU LUXEMBOURG

Agent Bank

LEGAL NOTICES

In the Matter of **EDITIONES REBUS LIMITED** and in the Matter of the **Insolvency Act 1986**

In accordance with Rule 4.106, L. John W. Powell of Levy, Goss, 4th Floor, Southfield House, 11 Liverpool Gardens, Wokingham, West Sussex, RG40 3AT, UK, give notice that on 13 February 1995 I have been appointed Joint Liquidator of the above named company intended to make a first and final distribution to creditors. Creditors are required to send their full details and statements of their claims (if any) to the undersigned John W. Powell and Michael T. Powell of 4th Floor, Southfield House, 11 Liverpool Gardens, Wokingham, West Sussex, RG40 3AT, UK, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, on, personally or by their Solicitors, to come to and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

</

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Bombay SE raps Reliance Industries over rule breach

The governing body of the Bombay Stock Exchange has decided to suspend trading in the shares of Reliance Industries, India's biggest private-sector company, for a day, for violating the exchange's rules, writes Shree Sidhva in New Delhi.

The date of suspension has yet to be announced.

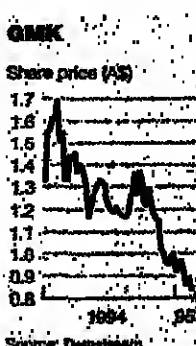
An exchange official said yesterday that Reliance had violated Clause 19 of the exchange's listing agreement, which stipulates that companies should recommend a dividend for a financial year at least five days before the closure of its register of members.

Reliance has also been criticised for not giving the exchange adequate notice before announcing the merger of two of its subsidiaries, Reliance Polypropylene and Reliance Polyethylene.

"We respect the decision of the Bombay Stock Exchange," Reliance said yesterday.

The Bombay Stock Exchange, India's oldest and largest bourse, has been tightening its regulations since a securities scandal in 1992. The bourse is now more accountable to the Securities and Exchange Board, the government's watchdog body, which has recently been given more regulatory powers by the finance ministry to ensure that another scandal does not occur.

GMK in the red after asset write-down



but also after tax, GMK made a profit of A\$30.1m, a 49 per cent increase on the same period a year ago.

The company said that gold sales increased by 7 per cent, to 231,503 ounces, although there was a lower net realised gold price of A\$564 an ounce.

The total abnormal item was a A\$320.4m charge, with the downward revaluation of the carrying value of certain mining assets accounting for the bulk of this - some A\$315m. The write-downs followed the decision by the Normandy Poseldion group and its various attached units to adopt more conservative accounting policies.

GMK's largest assets are a 50 per cent interest in the Kalgoorlie "Super Pit," and the Jubilee mine, also at Kalgoorlie in Western Australia.

Skanska buys Czech and German companies

Skanska, Scandinavia's largest construction and real estate group, is bolstering its position in central Europe by acquiring companies in Germany and the Czech Republic, writes Christopher Brown-Humes in Stockholm.

The main purchase is Volgt, a Berlin-based group with 300 employees and DM50m (\$39.9m) in annual sales.

Skanska is also buying 50 per cent of Hakstav, a Prague-based construction management and consulting firm with sales of SKr20m (\$2.74m). Terms in both cases were undisclosed.

The acquisitions enhance Skanska's drive to build up its international operations to compensate for the slump in the Swedish building market.

Mr Jan Sjöstedt, president of Skanska International Building, said "both companies fit into our aggressive strategy in Europe and should be regarded as important investments in future markets".

Skanska has also recently bought companies in the US and Finland.

Dylex offers creditors mix of cash and shares

Dylex, Canada's biggest specialty retailer, is asking creditors to accept 60 cents on the dollar and 40 cents in new common shares, writes Robert Gibbons in Montreal.

Dylex is under court protection from creditors while it restructures C\$28m (US\$17m) of debt. The vote on the proposal is expected on March 29 in Toronto.

Dylex proposes to create 27m new voting common shares to replace its present three-tier share structure. Trade creditors and debenture holders would become majority stockholders in the company.

Unsecured creditors would get 60 cents in cash by December 31, 1995, and 40 cents in new common shares, on the basis of one new share for each C\$12.50 of total claim. Landlords would get six months' gross rent in cash and 40 per cent in new shares.

Payments on existing bank term debt would be deferred until 1996. Dylex's C\$12.5m of subordinated debentures would be converted to equity.

Dylex has closed nearly 200 of its 877 stores across Canada and has eliminated 2,400 full and part-time jobs as part of the restructuring.

SCA ready to seal deal on PWA purchase

SCA, the Swedish forestry group, is tomorrow due to finalise its DM1.2m (\$814m) purchase of a 60 per cent stake in PWA, Germany's largest pulp and paper company, after the deal was cleared by the European Commission yesterday, writes Christopher Brown-Humes in Stockholm.

The purchase will create Europe's largest pulp and paper company with combined annual turnover of \$35.5bn (\$7.57bn) and production capacity of 7m tonnes.

The move, at a time of a strong recovery in the pulp and paper sector, is designed to consolidate the Swedish group's activities in packaging and tissues while expanding its operations into two new sectors, graphic and specialty decorative papers.

Ansaldo Trasporti advances to L28.8bn

Ansaldo Trasporti, the Italian manufacturer of rail transport systems, increased net profit to L28.8bn (\$18m) in calendar year 1994, before minority interests, and cut net debt to L11bn, writes Andrew Hill in Milan.

In 1993, extending extraordinary gains, Ansaldo Trasporti recorded a net profit of L27.2bn (\$17m) before minority interests, and had net debt of L10.8bn at the year-end.

Just over 50 per cent of Ansaldo Trasporti is controlled by Ansaldo, part of the state-controlled Finmeccanica engineering group, but the balance is quoted in Milan.

The Ansaldo Trasporti board is recommending an unchanged dividend of L152 a share.

The value of pending orders for the group increased by 20 per cent in 1994 to L4,245bn, compared with L3,528bn in 1993, and orders received during the year nearly tripled to L1,545bn, against L549bn.

Kaufhof sells 50% stake in Kuoni

The Kuoni-Hugentobler Foundation and a Swiss banking group have bought the 50.1 per cent stake in Kuoni, the Swiss travel group, held by Kaufhof of Germany since 1992, writes Ian Rodger in Zurich.

The move appears to be the prelude to a long-delayed simplification of Kuoni's capital structure and improvement in the liquidity of its shares. Kuoni, which last week announced a new management structure, said it would provide further information on the purchase on Friday.

The Kuoni-Hugentobler Foundation holds all 10,000 issued SFr100 nominal registered shares in Kuoni, giving it 52.6 per cent of the votes. Kaufhof held 5,011 of the 9,000 SFr1,000 nominal bearer shares.

The rest of the bearer shares, and 120,000 SFr50 nominal participation certificates, are widely held.

Kaufhof acquired its Kuoni stake after Swissair sold its 35.5 per cent holding in May 1992.

The Kuoni-Hugentobler Foundation then indicated it was displeased that Swissair had not offered it first refusal.

ING buys Dow's stake in Bank Mendes Gans

ING Bank of the Netherlands has bought US chemical firm Dow Chemical's 29 per cent stake in the independent Bank Mendes Gans, Reuters reports from Amsterdam.

Bank Mendes Gans is one of the few remaining independent, small banks in the Netherlands and provides financial services to multinational companies and institutional investors.

The sale is conditional on Dutch central bank approval.

ING Bank said acquiring the stake would substantially strengthen its position in the upper segment of the payments traffic market. No financial details of the transaction have been published.

Mendes Gans has 22,000 outstanding shares which were quoted at F17,950 each on the Amsterdam Stock Exchange on Tuesday morning with a traded volume of 14 shares. Only a small portion of the bank's shares are actively traded on the exchange.

Mendes Gans posted 1993 net profits of F18.7m (\$5.7m) up from 1992's F18.8m. Its balance sheet total was F1,690.5m by the end of 1993.

The company said in August its 1994 first-half net profit was slightly higher than in the year before and added it also expected the full-year net to show a slight increase. Mendes Gans has not given any further 1994 figures to date.

Interpublic earnings held back by charges

By Richard Tomkins in New York

Interpublic, the US advertising group, yesterday reported a fall in net income to \$90.2m from \$50.6m for the fourth quarter because of a restructuring charge resulting from the cost of consolidating acquisitions.

The company said net income would have risen 12 per cent to \$58.4m, but profits were hit by a \$35.7m after-tax charge caused mainly by the cost of assimilating the Ammirati & Puris agency acquired last summer. Costs arose, for example, in eliminating functions that were duplicated and diverting conflicting accounts.

Gross income rose 54 per cent to \$251.4m in the US and 9 per cent to \$373.9m outside the US, producing an overall increase of 23 per cent to \$625.3m. Earnings per share were 74 cents before the restructuring charge and 40 cents after it, compared with 67 cents last time.

For the full year, net income fell 8 per cent to \$115.2m, including the effects of the restructuring charge but excluding the effects of accounting changes. Interpublic said the figure would have risen by 12.5 per cent excluding all the charges.

Mr Eugene Beard, chief financial officer, said Interpublic had net new business of \$893m in 1994.

Deere posts record income in first quarter

By Laurie Morse in Chicago

Deere and Company, the US agricultural and construction equipment manufacturer, reported record first-quarter net income of \$138.4m, or \$1.60 a share, up nearly 60 per cent from \$87m, or \$1.20, a year earlier.

Revenues for the quarter, which ended January 31, jumped 22 per cent to \$2.1bn from \$1.7bn. During the quarter, US equipment sales to dealers were up 18 per cent at \$1.3bn, while overseas equipment sales increased 41 per cent to \$406m. Deere's financial services arm reported \$347m in revenues.

The company said its worldwide production tonnage rose 11 per cent from the first quarter of 1994 and, given the modest growth outlook for the North American economy, its full-year 1995 worldwide production tonnage is expected to increase by 4 per cent.

Mr Hans Becherer, chairman, said he expected worldwide demand for agricultural equipment to remain strong.

"Near-record US net farm cash income in 1994 should support strong 1995 farm expenditures. Higher levels of farm commodities should continue to result from ratification of the General Agreement on Tariffs and Trade," he said.

TBS advances in last period

By Louise Kehoe

Turner Broadcasting System, the broadcasting and entertainment group, reported a sharp increase in earnings for its fourth quarter.

Net profits jumped to \$26.8m, or 9 cents a share, from \$8.8m, or 4 cents, a year ago. Revenues increased to \$835.3m from \$835m. Turner said the fourth-quarter result included a \$5m charge for renegotiation of certain bank credit facilities.

Results also included the results of New Line Cinema, acquired in January 1994, and Castle Rock Entertainment, bought in December 1993.

RBC securities business hires former Kidder staff

By Bernard Simon in Toronto

RBC Dominion Securities, Royal Bank of Canada's investment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm, to help expand its international equity derivatives business.

The Canadian firm plans to set up operations in New York, London and Tokyo over the next two years as part of a drive to transform its existing equity derivatives service, based on Canadian market

indices and baskets of Canadian securities, into an international package.

The team hired by Dominion was not included in the Kidder Peabody businesses which were taken over last autumn by FaineWebber, the US financial services group.

The group, which includes computer systems experts and administrative staff, is led by Mr Peter Klein, who was managing director of Kidder's derivatives business.

Mr Bill Moriarty, a Dominion director, said the firm would

offer a similar package of equity derivatives as Kidder Peabody, initially focusing on US securities.

Dominion's move appears, however, to be less ambitious than the thrust into global derivatives being undertaken by Wood Gundy, the securities arm of Canadian Imperial Bank of Commerce. Wood Gundy recruited a group of employees from Lehman Bros, the New York investment bank, to spearhead its bid to become a top player in the derivatives market.

Mr Luis Kaufmann, president, said worldwide economic upturn had led to a "vigorous" increase in pulp demand. "This upturn in the cycle appears to have solid sustaining conditions, considering that new pulp production capacities may not be enough to supply the increasing demand," he said.

Net operating revenues increased 35 per cent to R\$525.8m. Most of the increase was due to a 36 per cent rise in the US dollar average pulp price and a 4 per cent increase in sales to 1.07m tonnes. The pulp price increase was not fully reflected in Aracruz's revenues because Brazil's Real currency appreciated more than 15 per cent against the dollar in the second half of the year. This helped cut net debt by US\$93m to US\$726.4m.

Aracruz managed to cut nearly R\$15m from operating costs, which fell to R\$49.5m.

Operating income swung from a R\$47.1m loss to a profit of R\$77.2m. Other income, mainly financial and currency gains, posted a profit of R\$152.1m.

Earnings per common share were 26 centavos, against a 13 centavos loss last time, while earnings for the preferred A and B shares were 35 and 26 centavos respectively. The company is recommending an additional dividend of R\$13.56 per 1,000 ADRs. This follows the December-approved dividend of R\$414.58 per 1,000 ADRs. Each ADR represents 5 class B shares.

Aracruz Celulose, the Brazilian eucalyptus pulp manufacturer, yesterday announced a sharp swing to profit due to rising pulp prices and cost-cutting.

Aracruz, which is listed on the New York Stock Exchange as well as in Brazil, reported a profit after tax of R\$217.7m (US\$259m) in the year to December 31, compared with a restated loss of R\$101.5m in 1993.

Fourth-quarter sales of Pentium PCs represented 44 per cent of systems sales, compared with 32 per cent in the third quarter, Dell said. Sales of notebook computers represented 14 per cent of fourth-quarter revenues, surpassing sales for the previous three quarters combined.

Apple Computer's seven-year legal battle to protect the "look and feel" of its Macintosh personal computer software ended yesterday when the US Supreme Court let stand a lower court ruling dismissing its claims against Microsoft and Hewlett-Packard.

In its suit, filed in 1988, Apple claimed Microsoft's Windows and a Hewlett-Packard program called NewWave copied the screen displays of Apple's Macintosh software.

When Apple filed its suit, the company held a clear technology lead with its Macintosh "point and click" graphical user interface, which greatly simplified the use of a personal computer. Today, however, Microsoft's Windows, which offers similar functions, is used on nearly 90 per cent of all PCs.

At issue was whether screen symbols representing computer functions, such as the dustbin symbol for deleting a text file, were covered by Apple's copyright.

In its appeal, Apple asked the justices to decide the extent of copyright protection available to computer interfaces. Apple argued that lower courts had erred by "dissecting" the Macintosh displays to determine whether individual elements were covered by its copyright, rather than considering the broad similarities between the Macintosh and Windows.

Microsoft and Hewlett-Packard argued that the case raised "no broad copyright issues" because Apple's rights were lessened by a technology-sharing agreement with Microsoft.

All of these securities having been sold, this advertisement appears as a matter of record only.

14,500,000 Shares

American Standard Companies Inc.

Common Stock
(per value \$0.01 per share)

4,500,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International

S.G. Warburg Securities

CS First Boston

Morgan Stanley & Co.

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ABN AMRO Hoare Govett

Deutsche Bank

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Yamaichi International (Europe) Limited

10,000,000 Shares

This portion of the offering was offered in the United States by the undersigned.

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S.G. Warburg & Co. Inc.

Sanford C. Bernstein & Co., Inc.

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Edward D. Jones & Co.

LM Capital Securities, Inc.

C.J. Lawrence/Deutsche Bank

Securities Corporation

February 1995

BANK OF GREECE

US \$250,000,000
Floating Rate Notes
due 1997

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 22nd February, 1995 to 22nd August, 1995 the following information is relevant:

1. Rate of interest: 6% per annum
2. Interest Amount payable on Interest Payment Date:
US\$ 330.38 per
US\$ 10,000.00 nominal or
US\$ 8,484.38 per
US\$ 250,000.00 nominal
3. Interest Payment Date:
22nd August, 1995

Agent Bank
Bank of America
International Limited

Leeds Permanent Building Society

\$100,000,000
Collared floating rate
notes due 2003

Notice is hereby given that the notes will bear interest at 7.1875% per annum from 20 February 1995 to 18 August 1995. Interest payable on 18 August 1995 will amount to \$352.43 per \$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan



This Survey will examine the vital role good Credit Management plays in the recovery from recession.

For an editorial synopsis and information on advertising opportunities please contact:

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FT Surveys

COMPANY NEWS: UK

North American side boosts Unilever growth

By Roderick Oram,
Consumer Industries Editor

North America was the best-performing region last year for Unilever, the Anglo-Dutch consumer goods company, offsetting lower profits in Europe.

Sir Michael Perry, chairman of the UK arm of Unilever, was cautious about the future in Europe. "We cannot yet be sure when confidence in Europe will grow sufficiently to boost consumer spending, but such signs as there now are seem to be favourable."

For the group as a whole, operating profits before exceptional items rose 6.3 per cent to £2.58bn. North America's contribution rose 18 per cent to £502m on sales ahead 4 per

cent at £5.32bn, or up 7 per cent adjusting for currency factors. Volume growth was also up 4 per cent but rose to 8 per cent including acquisitions. The operating profit margin rose one percentage point to 14.6 per cent in the fourth quarter, dwarfing the 5.2 per cent margin in Europe.

Unilever attributed the North American performance to restructuring and cost savings, particularly in detergents and ice cream, and to product innovation. The annual margin of 8.5 per cent was sustainable given the variety of positive factors contributing to it, he said.

Personal products, foods, chemicals and a recovery at Lipton Tea all turned in good performances. Detergents held

their profits despite a drop in the selling prices of fabric-cleaning products.

Europe contributed £1.31bn in operating profits, down 2 per cent, on sales up 4 per cent at £15.72bn. About half the growth in sales came from price increases and the rest from acquisitions such as Orle-Miko ice cream and frozen foods in France.

Unilever said the problems with its range of Power detergents were the main reason for the decline in the overall European operating margin, from 8.8 to 8.3 per cent.

Strong growth in ice cream and food teas helped offset static profits in oils and dairy fats and declining profits in ready meals and meal components. The latter problem arose



Sir Michael Perry: cautious about future in Europe

from severe price competition in Germany and operating difficulties in Italy.

Personal products expanded rapidly following a successful UK launch of the Organics hair-care range, which will be rolled out across Europe this year.

Unilever said it had already spent about half the £490m exceptional restructuring charge it had taken in 1993 and was beginning to benefit from the cost savings. Exceptional charges fell to £52m in 1994.

"Gross restructuring charges of about £100m a year are required for a company of our size," Sir Michael said.

Unilever said it had already spent about half the £490m exceptional restructuring charge it had taken in 1993 and was beginning to benefit from the cost savings. Exceptional charges fell to £52m in 1994.

Two-pronged strategy for emerging markets

By Ronald van de Krol in
Rotterdam and Roderick Oram
in London

Unilever, the Anglo-Dutch consumer products group, is planning to pursue the two-pronged approach of organic growth and acquisition to boost its presence, sales and profits in emerging markets.

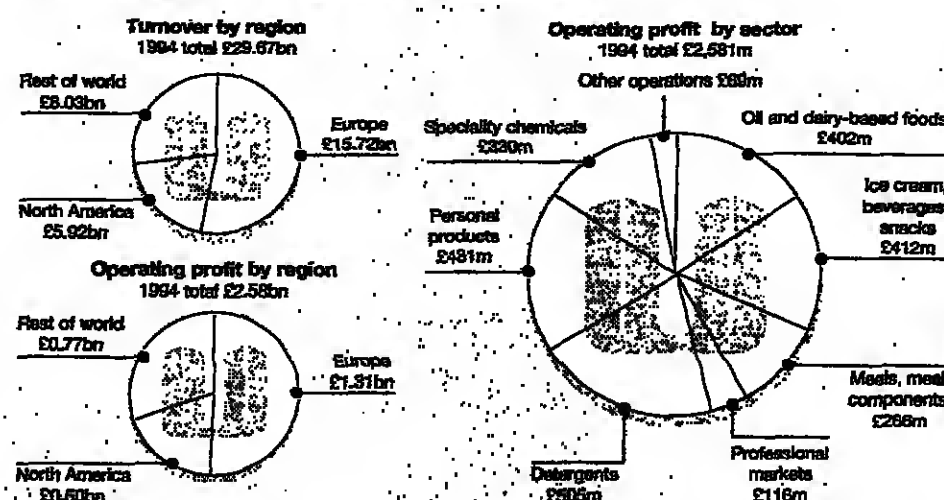
Acquisitions will probably play a more limited role than the group's own efforts to start up businesses from scratch in order to achieve organic growth.

"Every now and again you take a short cut by doing an acquisition," said Mr Morris Tabakshlat, chairman of Unilever NV, the Dutch arm of the group. But he pointed out that this is not possible, for regulatory or other reasons, in every country.

"Both [acquisitions and organic growth] happen, but I think that, in acquisitions, the opportunities are fairly limited," he said.

Sir Michael Perry, chairman of Unilever plc, the UK arm, said that one of the more likely avenues was food companies in developing countries. Last year Unilever made substantial acquisitions in Argentina (tomato-based food), Venezuela (ice cream) and India (detergents and an ice-cream alliance). But it also saw strong

Unilever group financial breakdown



organic growth in countries where it acquired hardly any businesses.

In central and eastern Europe, turnover jumped by 25 per cent in 1994 to £500m (£775m). Nearly all this growth was organic, Mr Tabakshlat said, as Unilever made just one acquisition - a small Hungarian frozen food company.

Turnover in China and Hong Kong trebled to £130m, of which some £100m was in China. Mr Tabakshlat said the com-

pany was "fairly well on course" to reach its goal of generating about one third of its annual turnover in the geographic category "rest of the world" by the end of the decade.

In 1994, Unilever reported 53 per cent of its sales in Europe, 20 per cent in North America and 27 per cent in the rest of the world, a broad category that includes not only developed countries such as Japan and New Zealand but also developing countries in Asia,

Africa and South America.

In pursuit of its emerging markets policy, Unilever is having to invest more in these countries than it currently gets back in profits.

Last year, 26.7 per cent of fixed-asset investment and acquisition spending was concentrated in emerging markets, while these countries generated just 24.2 per cent of turnover. This marks a turnaround from the 1980s, when Unilever's investment and acquisitions in emerging markets

were, proportionally, less than half of what it rung up in sales.

Profits have already started to emerge in some of these new markets, such as Poland, Hungary, the Czech Republic and Slovakia. But China, an important destination for Unilever investment, has yet to produce a profit.

"I'll be happy to watch a doubling or tripling of sales in emerging markets," Sir Michael said, "and I'll leave my successors a source of profit for the future."

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Consolidated	Yr to Dec 31	29,670	1,310	10.5	25.22	17.52	3.188	5,205	4,732
Eng & Divers Prods	Yr to Dec 31	4,860	(5,98)	0.39	0.31	1.29	0.6	0.9	0.5
Enterprise Computer	6 mths to Sept 30	2,880	(5.8)	5.18	(0.025)	6.98	0.025	0.9	0.5
GRE	Yr to Dec 31	3,703	(3,907)	78.21	(75)	14	4.5	8.25	7.8
Regina (July)	6 mths to Dec 31	13.6	(1.5)	1.07	3.5	(3.3)	1	3	3
Macro	6 mths to Dec 31	12.3	(12.1)	5.85	6.4	18.7	1	8.02	20
National Westminster	Yr to Dec 31	-	(-)	1,882	(888)	63	14.3	12.1	18.5
Selgwick	Yr to Dec 31	931.3	(808.7)	94.4	(70.5)	11	3.5	2.8	6
Soul	6 mths to Dec 31	3.7	(2.8)	0.101	(0.023)	0.48	0.1	0.5	0.5
Unilever	Yr to Dec 31	22,859	2,385.8	2,385.8	(1,027)	63.59	22.3	18.95	25.03
Variable Chemicals	Yr to Dec 31	119.8	(112)	14.56	(13.02)	22.5	5.85	8.8	8.1

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
European Smelter	6 mths to Dec 31	128.3	(135.8)	0.003	(0.003)	0.1	-	0.98	0.98
Int'l Tel of Hungary	Yr to Dec 31	77.1	(87.3)	2.08	(2.08)	2.65	1.775	2.8	2.85
Anglo Int'l Bank	Yr to Dec 31	81.3	(4.1)	1.02	(0.88)	4.88	1.8	1.7	3.4
Pacific Assets	Yr to Dec 31	468.1	(681.54)	0.4	(0.48)	1.96	1.3	1.3	1.2
Shireco	Yr to Dec 31	144.7	(155.5)	1.09	(0.881)	0.82	1.6	5.4	5.05
Temple Bar	Yr to Dec 31	338.2	(384.17)	6.19	(7.9)	14.24	6.25	13.95	13.55

Dividends shown net. Figures in brackets are for corresponding period, British currency. *After £4.37m exceptional charges. †Total premium income. ‡After £28m exceptional restructuring costs. ‡After £150m provision for withdrawal from certain foreign retail operations. ‡After £13.6m exceptional credits. ‡After net exceptional charge of £40m (£402m). ‡Compared to 1994.

GRE lays out plans

Guardian Royal Exchange is displaying a welcome lack of self-congratulation. Yesterday's operating profits were the best in a quarter of a century, the margins more robust than expected, and yet the group chose to announce a 10 per cent cut in the domestic workforce.

It was wise for GRE to spell out its plans for the downturn ahead, rather than harp on about the immediate past. The figures for 1994 probably constitute the peak of the current cycle in insurance earnings, and the 8 per cent fall in motor insurance premiums in the UK is the thin end of the wedge. So far, margins here have remained stable due to a combination of reduced costs and improved claims experience. But this is not sustainable. Competition will intensify and margins will be eroded, in this market segment and others. GRE's businesses in Germany, the US and Ireland performed strongly last year and provide exposure to different insurance cycles - but do not give GRE immunity to the UK.

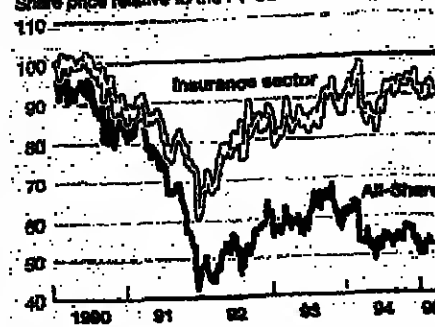
The outlook for GRE's shares will hinge less on the group's skills in handling the coming downturn, than on world financial markets. Just as insurance shares performed dreadfully when operating profits were climbing towards their peak, there is no reason why they should not outperform as underwriting profits start to fall. If the market does not perk up, though, thus feeding through to investment income, insurers' ability to increase their dividends will start to look suspect, and valuations will seem stretched.

Trafalgar House

While shareholders in Northern Electric bank in the hope of a higher offer, investors in its aggressor have fared less well. Trafalgar House's ordinary shares have fallen almost 10 per cent since it launched its bid, and its preference shares are now trading at 89p. This compares to the 89p at which they have been underwritten, as part of the bid. Any increased

Guardian Royal Exchange

Share price relative to the FT-SE-A Index



Source: FT Original

offer would probably require it to re-underwrite the preference shares at a far less attractive rate.

Trafalgar's share performance is not entirely surprising. It is raising money to buy a rather unexciting source of cash flow, which suggests the prospects of its existing businesses may not be that great. In addition, while Northern would enhance Trafalgar earnings even at a far higher price than the 1048p now on the table, this would not all be fed into Trafalgar's valuation. Half an enlarged Trafalgar's profits would come from electricity. And any valuation would carry a political risk discount given the potential for a Labour government and regulatory interference.

Northern's scheme for paying investors cash and other financial goodies worth over 500p suggests a base valuation of 1050p or so for the shares is not unreasonable. Also, Trafalgar could receive tax benefits worth 150p to 200p more from a merger because of its written off advance corporation tax. Of course, these benefits are Trafalgar's and could be realised through other buys. But they offer scope for some sweetening before Friday's deadline.

ELECTRA

1994 TRANSACTIONS

USA

The principal activity of Electra Kingsway is the provision of equity capital for private companies and unlisted equity instruments for public companies. Funds under our management are invested in a variety of equity transactions where capital is required for management buy-outs and buy-ins, expansion and refinancing. Our principal areas of activity are the UK, Continental Europe and the USA.

ELECTRA KINGSWAY LIMITED
65 KINGSWAY, LONDON WC2B 6QT
TELEPHONE: 071 831 6464
FAX: 071 404 5388
MEMBER OF IMRO

STEVENS AVIATION
Aviation Service Organisation

Issue of \$9 million Junior Securities

\$4 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

STEINWAY & SONS
Piano Manufacturer

Issue of \$8 million Junior Securities

\$4 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

DAH
Manufacture of Transport of Airplane Systems

Recapitalization of \$30 million

\$6.9 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

family bookstores
Chains of Bookstores

\$27 million Management Buy-Out

\$4.3 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

GRUNET
Communications & Control Equipment

Issue of \$31 million Junior Securities

\$3.8 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

MMS
Media Marketing Services
Marketers of Short Holiday Breaks in Resort Hotels

\$27 million Management Buy-Out

The transaction was arranged and structured by Electra Inc

\$5.3 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

The Benjamin Company
Airport Bookstore & News-Retail Operator

Issue of \$6.5 million Junior Securities

\$5.7 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

poli sebastian
Programme Manufacturer

\$49.3 million Management Buy-Out

\$9.3 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

HCA
Manufacture of Baby Crockets Kitchen Appliances

Issue of \$5 million Junior Securities

\$4.3 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

Transit International
Hedge Company

Issue of \$10 million Junior Securities

\$10 million was invested by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

FSJ
FINANCING FOR SCIENCE INTERNATIONAL
Laser Finance for Medical Equipment

Initial Public Offering

An investment of \$10 million was made in December 1993 by Electra Investment Trust PLC

and arranged by Electra Inc

ELECTRA

REALCOM
Telephone Service & Maintenance Company

Sale of the Company

An investment of \$1 million was made in December 1993 by Electra Investment Trust PLC

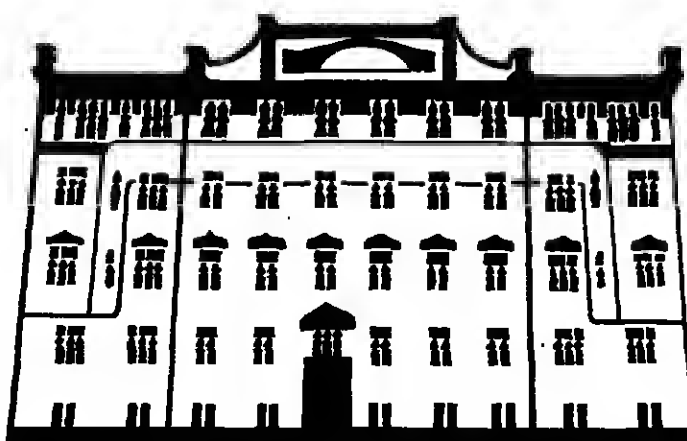
and arranged by Electra Inc

ELECTRA



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COMPANY NEWS: UK

International earnings lift GRE

By Ralph Atkins,
Insurance Correspondent

Guardian Royal Exchange, the composite insurer, yesterday announced a 63 per cent increase in trading profits in 1994, helped by stronger-than-expected earnings from international operations.

GRE acknowledged that UK trading conditions were worsening, but argued it was better placed for the expected downturn in insurance than at the previous late-1980s peak. Private motor insurance premium rates, for instance, were 8 per cent lower than a year before and may fall a further 5 per cent - but claims had also fallen substantially.

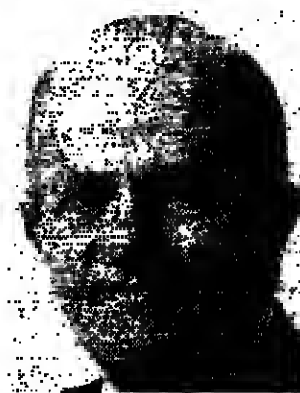
Mr John Robins, chief executive, said he was prepared to see premium income fall to protect profitability. "We are

not going to run after volume," he said.

An exceptional charge of £28m was announced to cover restructuring costs, including a further 500 job cuts in the UK general business, a streamlining of German operations and management changes in the US.

Trading profits reached £288m (£461.9m) in 1994, up from £183m in 1993. After taking account of investment losses, the group made a pre-tax loss of £75m against a profit last time of £75m. GRE is unique among the main UK composite insurers in presenting its accounts this way. Total premium income rose from £3.3bn to £3.7bn.

GRE's results were spoiled by poor figures for UK life business. Income from new single-premium policies was



John Robins: 'we are not going to run after volume'

almost halved, from £156m in 1993 to £81m. The group blamed poor publicity for life products generally and the lack of activity in the mortgage market. GRE has already

announced about 800 job cuts on the life side and did not rule out further reductions. An exceptional charge of £11m was included in the 1994 life fund figures.

Trading profits at GRE's Irish insurance operations, which are dominated by private motor insurance, jumped from £39m to £40m. Although the group's German subsidiary, turned a trading loss of £13m in 1993 into a profit of £14m. The US subsidiary's trading profits slipped from £12m to £11m, but its specialty auto business, which accounts for 40 per cent of US business, performed well, helped by the acquisition of the National Corporation and American Ambassador Casualty Company.

See Lex

Expro to go ahead with float

By Robert Corzine

Expro International, the oil services group seeking to come to the market via a placing and public offering next month, said it was not "intimidated" by current conditions and intended to go ahead with the planned flotation.

Mr John Dawson, chief executive, said Expro was confident that investors would support the flotation, expected to value the company at about £100m (£155m). It hopes to raise £50m-£55m to cut debt. Flotation plans were resurrected last month, having been planned originally for last summer.

Expro, an Aberdeen-based company providing technical services to big oil companies, yesterday published its pathfinder prospectus. The new shares are to be placed with institutions and other investors, with a maximum 25 per cent clawback to cover the public offer. The directors and existing institutional investors would not be selling shares, executives said.

The company reported substantial oil and gas development activity in its main markets in the UK, Asia and Europe. It predicted a 17 per cent rise in operating profits to £12m for the year to March 31.

Post-flotation gearing is estimated at 50 per cent. Pricing is expected on March 14, with first dealings on March 23.

United Biscuits chooses 'hard man' as next chief

By Roderick Oram,
Consumer Industries Editor

United Biscuits, perennial takeover grist in the City's rumour mill, has chosen as its next chairman Mr Colin Short, a veteran defender from two classic corporate showdowns.

As finance director of Imperial Chemical Industries, he was widely credited with a key role in thwarting Lord Hanson's tilt at the company in 1991. He held a similar post at Gulf Oil, the US group which defeated a 1983 bid from Mr T Boone Pickens, the maverick Texas oilman.

The company and its advisers, however, played down yesterday those salient features of Mr Short's career. They stressed instead his rigorous financial and managerial skills.

During five years at ICI, he is credited with tightening the sprawling giant's financial systems and overhauling its information technology. He also helped steer through the extremely complex demerger of Zeneca, ICI's pharmaceutical business. "He brings steadiness and rigour to a board", one colleague said.

Mr Short, 60, said that the two main qualities he would bring were "my experience in managing change and my financial background." He has already served three years as a non-executive director at UB. Although he will become non-executive chairman in July, he is expected to work full



Colin Short: veteran defender from two classic showdowns

time, at least initially.

"Entering an industry going through a very competitive period" was one of UB's attractions to him, he said. Working with "an exciting young management team" was another factor. Mr Eric Nicoll, chief executive, and many of his board colleagues are in their 40s.

UB has struggled to regain its footing after an unsuccessful diversification in restaurants, frozen foods and other non-core businesses in the late 1970s and early 1980s. Mr Nicoll and his team have made progress in focusing on biscuits and snacks and in expanding out of the UK and US into Europe and Asia but the share price has languished.

"They may have to defend themselves because they are pretty exposed by their dis-

couraging record," one food analyst said. The long roster of rumoured hostile bidders includes Hanson, Philip Morris and Nestlé.

Lord Hanson reportedly considered Mr Short the "hard man" who helped give ICI the resolve to fight him. He was one of four board members in an "inner cabinet" formed to defend ICI. Mr Short was the only colleague to accompany Sir Denis Henderson, then ICI's chairman, to the only face-to-face meeting with Lord Hanson and Lord White, his partner, during the 1991 battle.

At UB, Mr Short will replace Sir Robert Clarke who is retiring after 24 years with the company. His posts included chief executive from 1986 and then chairman since 1990. Observer, Page 19

Sedgwick moves ahead to £94.4m

By Patrick Harverson

Strong growth in its European and North America retail operations and continued expansion to fee-based businesses helped Sedgwick, the insurance broker, increase full-year pre-tax profits 34 per cent from £70.5m to £94.4m (£146.3m).

The results, which were at the top end of expectations, lifted Sedgwick from third to second place in the global rankings of insurance brokers, behind Marsh & McLennan of the US.

Total revenue for the year ended December 31 advanced from £809.7m to £931.3m.

Mr Sax Riley, chief executive, said the profits growth proved that the group's strategy of developing its worldwide retail insurance broking network and expanding its consulting operations was paying off. "We're taking the medicine, and it's working," he said.

Even so, the outlook for Sedgwick's earnings this year is clouded by the recent softening of rates in the UK, continental European and North

American insurance markets.

The group believes that it can continue to grow despite the changing business climate. Mr Riley said it would pursue expansion "through organic growth, cross-selling, acquisitions when opportunities arise, and venturing into new and complementary markets."

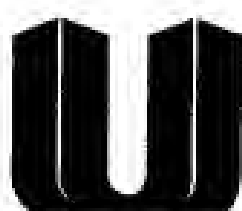
Last year, the improvement in earnings came primarily from the European and North American insurance businesses, which lifted retail brokerage and fees on an underlying basis (excluding acquisitions) by 8 per cent

to £503.8m.

These gains helped offset a modest underlying decline in brokerage and fees at Sedgwick Payne, the group's specialist insurance operation in a London market undermined by oversupply and intense competition.

Sedgwick Noble Lowndes, its financial services and consulting arm, turned in a better performance thanks to sharply lower costs, against a difficult background in the UK life and personal pensions industry.

Earnings per share reached 11p (9p).



Unilever

Preliminary Results 1994

FULL YEAR

Sales increased by 8% and net profit by 21% over 1993, at constant rates of exchange. Before exceptional items, an 8% increase in operating profit was reduced by higher interest charges and tax rates to a net profit increase of 3%.

This was a year of contrasting performances in our regions, but the rate of sales growth improved as the year progressed. Whilst the European economies strengthened during the second part of the year, growth in Europe was restrained, in part because of the unsuccessful launch of the Power range of detergents in some countries. The most significant feature of the results, however, was the improvement in North America, where the action taken in recent years to reduce costs and invest in growing businesses led to a sharp rise in profits. Outside Europe and North America our businesses continue to grow rapidly and now account for 27% of the Group's worldwide sales.

At average exchange rates prevailing in each year, net profit rose by 20% in sterling and in guilders and by 22% in US dollars.

RESULTS

	1994	1993	Increase	Increase
	£m unaudited	£m	Current rates	Constant rates
TURNOVER	29,666	27,363	8%	8%
OPERATING PROFIT	2,519	1,937	30%	32%
Operating profit before exceptional items	2,581	2,427	6%	8%
Exceptional items	(62)	(490)		
Exceptional profit on disposal of fixed assets	14	88		
PROFIT BEFORE TAXATION	2,383	1,927	24%	25%
Taxation	(762)	(580)		
NET PROFIT	1,559	1,296	20%	21%
Net profit before exceptional items	1,571	1,533	2%	3%
Dividends on ordinary capital	(568)	(537)		
Combined earnings per share	85.59p	69.45p	20%	

per 5p of ordinary capital

Net profit before exceptional items excludes the after tax effect of exceptional items in Operating Profit and the Exceptional Profit on disposal of fixed assets.

OPERATIONS

In Europe, operating profit before exceptional items was marginally reduced. Among the food categories our ice cream operations had an excellent year with a significant increase in both sales and profit, augmented by acquisition. Although the market for margarine declined, profits from oil and dairy based foods were only slightly lower. In beverages the rapid expansion of ready-to-drink tea continued and black tea profits rose. Both meals and meal components and professional markets, however, recorded reduced profits. In detergents we have taken charges of £57 million to cover write-offs and other costs associated with the Power launch. As a consequence profits in detergents fell, as did sales. In our personal products business, sales increased but profits were unchanged. Speciality chemicals performed very well, with growing demand contributing to increases in both sales and profit.

In North America most of our businesses participated in a significantly improved performance. In foods, our ice cream operation benefited from the successful integration of recent acquisitions ahead of the summer season and excellent increases in sales and profits were recorded. In oil and dairy based foods we increased our share of a declining market and profits advanced. Profits in beverages and meals and meal components also improved. An exception to this good performance was professional markets, where profits fell. In detergents restructuring continued and while sales were lower,

profits were maintained. A very strong performance from personal products reflected successful innovation in key categories, most notably toothpaste and fine fragrances. Speciality chemicals recorded another year of sales and profit growth.

Outside Europe and North America our business grew rapidly, with detergents and personal products the most significant contributors. During 1994 we continued to invest heavily in building our operations in emerging markets, most notably in India and Cbioa and, despite this high level of investment, overall margins rose. Our expanding foods operations made an increased contribution, led by meals and meal components, and speciality chemicals also contributed well. Good results were geographically widespread. India and South Africa recorded particular progress and our Latin American businesses continued to expand, most notably in Argentina and Chile. Improved results in Japan were enhanced by the effect of an acquisition.

FOURTH QUARTER

Sales growth of 9% provided a strong finish to the year. The quarter's results reflect the effect of the high restructuring charges taken in 1993.

At constant rates of exchange net profit rose by 108%, which, before exceptional items, is equivalent to 6%. At the average rates of exchange for each period, net profit increased by 110% in sterling, 105% in guilders and 123% in dollars over the corresponding period of 1993.

NOTES

Financial Reporting Standard 4 (FRS 4)

With effect from second quarter 1994, Unilever has adopted FRS 4 (Capital Instruments) of the United Kingdom Accounting Standards Board. This has required reclassification of the dividends on certain preference shares in a group company from minority interests to interest payable in the Profit and Loss Account for 1993. The preference shares were repurchased on 13 January 1994. Adoption of the Standard has no effect on reported net profit.

Acquisitions and Discontinued Operations

In 1994 the effect on turnover and operating profit of acquisitions made in the year was £719 million and £49 million respectively. There were no discontinued operations in 1994 or 1993.

DIVIDENDS

	1994	1993
PLC per 5p ordinary	-final 20.30p -total 26.81p	18.95p 25.03p
N.V. per FL4 ordinary	-final FL4.71 -total FL6.19	FL4.40 FL5.88

For the purpose of equalising N.V.'s and PLC's dividends under the Equalisation Agreement, the Advance Corporation Tax (ACT) in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1994 final dividend now announced has been calculated by reference to the current rate of ACT (twenty-eighths); if the effective rate applicable to payment of the dividend is different, the amount will be adjusted accordingly and a further announcement made.

The PLC final dividend will be paid on 19 May 1995 to shareholders registered on 13 April 1995.

The N.V. final dividend will be payable as from 19 May 1995.

The Annual Review and Annual Accounts for 1994 will be published on 8 April 1995. The results for the first quarter 1995 will be announced on Tuesday 9 May 1995.

For copies of Unilever results statements telephone Freephone 0800 181 891 or write to: Unilever Corporate Relations, P.O. Box 68, Unilever House, London EC4P 4BQ, or P.O. Box 760, 3000 DK Rotterdam.

Yorkshire Chemicals survives volatility

By Motoko Rich

Yorkshire Chemicals, the dyes and specialist chemicals manufacturer, lifted pre-tax profits 10 per cent from £13m to £14.4m (£22.3m) last year, despite price erosion and higher raw-material costs.

Mr Phillip Lowe, chairman, said the advance in profits had been achieved despite fragile market conditions which were markedly volatile during the third quarter.

Compared with results at the half-year, when pre-tax profits rose 19 per cent, yesterday's figures were "a bit disappointing," he said. But he was pleased with sales growth, which increased 7 per cent to £119.3m (£121m) in spite of average price reductions of about 2.5 per cent.

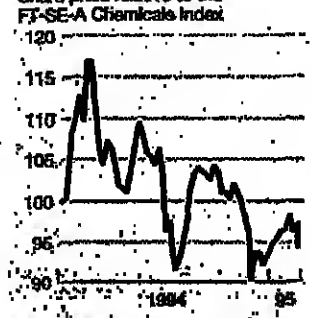
The market, however, appeared concerned that the rate of sales growth abated during the second half. The shares lost 9p to close at 346p.

Mr Lowe was confident of an improved performance in the current year because the company had built up stocks of raw materials and price erosion appeared to be reversing. Annual pre-tax profits were flattened by sterling exchange rates and would have been £400,000 lower if 1993 exchange rates had prevailed.

Yorkshire Australia, which makes textile dyes and pig-

Yorkshire Chemicals

Share price relative to the FT-SE-A Chemicals Index



Source: FT CompuLink

ments, and Yorkshire Speciality Products, which manufactures leather dyes and tanning agents and chemicals for the precision engineering industry, were the best performing divisions, raising turnover by about 24 per cent.

Sales in North and South America, however, fell about 9 per cent to £25.3m (£27.9m). Mr Lowe said this was mainly because of rationalisation of the company's US merchandising activities which began in September 1993.

Capital spending dropped 39 per cent to £3.4m (£12.6m). Mr Lowe said this was attributable to timing rather than policy. Earnings per share rose from 21.1p to 22.5p. The recommended final dividend is 5.85p (5.5p) for a total 8.6p (8.1p).

Macro turnover slows

By Paul Taylor

Macro 4, which makes software products for IBM and IBM-compatible mainframe and mid-range computers, yesterday reported a 5.3 per cent increase in interim pre-tax profits.

Nevertheless, the company, which spent £4.82m (£7.47m) in November buying back 1.1m of its shares, blamed its "disappointing" 1.5 per cent increase in turnover on difficult trading conditions, caused in particular by the switch from mainframe computers to client/server systems based on networks of personal computers.

Pre-tax profits increased to

£5.69m in the six months to December 31, up from £5.4m in the same period in 1993, on turnover which edged up to £13.3m (£12.1m).

Mr Terry Kelly, chairman, said the current trend in migration from mainframes to other computer platforms was showing "few signs of abatement."

Mr Kelly said turnover on the group's longer-established mainframe software products, although holding up well in most territories, had fallen slightly overall because the level of new sales had just failed to match up to the cancellations of software agreements, particularly in Germany.

Notice to the Warrantheolders to Subscribe for Shares of Common Stock of

SAISON GROUP

PARCO CO., LTD

(the "Company")

Issued in Conjunction with the Issue of U.S.\$100,000,000

4 per cent. Guaranteed Bonds Due 1995

In respect of the above Warrants, notice is hereby given as follows:

1. On 10th February, 1995, the Board of Directors of the Company resolved to make a Stock Split with respect to shares of its common stock owned by shareholders of record as of 28th February, 1995, at the rate of 1.1 shares for one share so recorded, effective 20th April, 1995.

2. As a result of the above Stock Split, the Subscription Price of the above Warrants per share of common stock will be adjusted, pursuant to Clause 3 of the Instrument dated 11th April, 1991, as follows:

Subscription Price before adjustment:	¥2,101.20 per Share
Subscription Price after adjustment:	¥1,910.20 per Share
Effective Date of adjustment:	1st March, 1995 (Japan time)

PARCO CO., LTD.

By: Dai-ichi Kangyo Bank Company of New York, as Disbursement Agent

22nd February, 1995

صكنا من الامل

...suits chooses
...n' as next chief

Yorkshire Chem
survives volatility

Coffee prices above \$3,000

By Alison Maitland

Nearby delivery coffee futures prices spurted through \$3,000 a tonne in London yesterday to reach the highest levels this year, as concern about dry weather in Colombia and a shortage of robusta supplies attracted investment fund buyers back into the market.

The May position closed \$64 higher at \$3,013, supported by a strong New York market, leaving it 5.4 per cent up this week.

London prices have risen by 15 per cent in the past two years, but they are still more than \$1,000 a tonne below last year's peaks, which were reached after two severe frosts and a drought in Brazil, the world's biggest producer.

Arabica futures in New York, which triggered London's \$101 gain on Monday with their strong performance last Friday, were firm again

yesterday after Monday's Presidents' Day holiday. May was up 8.60 cents at 173.20 cents a pound in afternoon trading.

Mr David Phipps, a senior trader at Merrill Lynch in London, said the robusta market was being driven by a shortage of supplies from countries such as Cameroon and Ivory Coast. They were hoarding so as not to miss out on any price surge that might arise from Brazil's problems last year.

The dry spell in Colombia, the second biggest coffee exporter, was adding to supply fears, he said. It could harm the mid-season crop, due for picking at the end of March, and might affect the quality of the main crop later in the year.

Meanwhile, consumer stocks were tight. "Roasters worldwide have been drawing down on pipeline supplies. It's a hand-to-mouth, with very little cover."

Spanish aluminium group explains why it reactivated capacity

By Kenneth Gooding, Mining Correspondent

Mr Javier Alvarez Vara, president of Industria Española del Aluminio (Inespal), explained yesterday why the state-owned Spanish group had reactivated aluminium capacity in abrogation of its previous support for the international trade agreement under which producers worldwide cut output last year.

He said Inespal had taken the step partly because it had been put up for sale and, with this in mind, the group wanted to take full advantage of rising prices to get back into profit. So it had brought back into operation annual primary aluminium production capacity of 35,000 tonnes that had been shut down in April last year

and was now working at full stretch - an annual rate of 350,000 tonnes.

Mr Alvarez Vara said Inespal, which acted quickly to shut down 10 per cent of its capacity after the international agreement was reached in Brussels in February last year, was "a bit disappointed" with the reaction of other aluminium companies in Europe and elsewhere after the trade talks and this also influenced the decision to re-start.

Inespal suffered five years of losses during the deep recession that engulfed the global aluminium industry. It is expected to report a net loss of \$160m (US\$124m) for 1994, down from \$250m the previous year. At San Ciprian, Aviles and La Coruna, the group owns 1.1m tonnes of

raw material for aluminium, hot and cold rolling mills with an output of about 400,000 tonnes a year as well as producing about 30,000 tonnes of aluminium extrusions.

In 1990 Inespal launched "Delfin" (Desarrollo Estratégico de las Líneas de Fabricación de Inespal), a five-year programme aimed mainly at modernising its rolling facilities and other downstream activities. This has gone hand in hand with a cut in the workforce, from 8,000 to 5,000 and to 4,500 by 1997. This cost another \$150m.

Although Inespal claims to pay more for its energy than any other aluminium producer in the world, it reckons its cash production costs are relatively modest, about US\$1,200 a

tonne (\$4.5 cents a pound), primarily because the Aviles and La Coruna smelters are old Söderberg plants that have been fully depreciated.

Inespal was formed from a merger of INI's aluminium operations with the Spanish interests of Alcan of Canada, the world's second largest aluminium group. Alcan owned about 25 per cent of Inespal until it sold to INI because it did not like the Delfin programme. Relationships remain close, nevertheless, and Inespal recently signed another contract for Alcan to supply about 45 per cent of its bauxite requirements to the year 2005.

The Spanish government five years ago attempted without success to persuade Alcan to take full control of Inespal. Other companies said to have

expressed an interest at that time included Aluminum Company of America (Alcoa), VAW of Germany and Marc Rich, now re-named Clarendon.

Five of Kaiser Aluminum's largest US operations have been hit by a strike, writes Laurie Morse in Chicago. In a contract dispute over work rules, more than 3,000 United Steel Workers of America members walked out at Kaiser's two smelters at Mead and Tacoma, Washington; at the company's alumina refinery in Gramercy, Louisiana; and at fabricating and rod plants in Trentwood, Washington and Newark, Ohio. Kaiser said it would continue to operate all six of its potlines at the Mead smelter with salaried personnel, but would shut down one of two potlines at Tacoma.

Fischler under fire

By Caroline Southey, In Brussels

A majority of European Community agriculture ministers yesterday accused the European Commission of going too far in its farm price proposals, announced last week by Mr Frans Fischler, the new agricultural commissioner.

In a televised debate ministers from most member states lambasted Mr Fischler for making proposals that went beyond price changes introduced under reforms negotiated by Mr Ray MacSharry in 1992. "Whole reform yes, but nothing but the reform. You are taking a risk by asking us to go beyond the reform," Mr Pierre Olivier Drege, director general of the French cabinet, said.

However, ministers from Britain, Sweden and Denmark accused Mr Fischler of not going far enough. Mr William Waldegrave, the UK agricul-

ture minister, said the council had a duty to warn farmers that the 1992 reforms were not sufficient in preparing the EU for enlargement or to help meet its targets under the General Agreement on Tariffs and Trade.

"We are not talking about cliff-edges, but about steady movement," he said.

Mr Fischler's proposals included cutting the butter intervention price by 2 per cent and the monthly storage payments for cereals by 10 per cent. He also proposed reducing the present seven-month cereal intervention period by two months.

He defended the proposals, claiming they were modest because he wanted the council to turn its attention to sectors, such as wine, untouched by the MacSharry reforms.

But ministers opposing the changes warned about the uncertainty facing farmers and called for a period of stability.

Caribbean producers suspect hidden agenda in banana row

There is a growing belief that Washington is motivated by wider-ranging concerns, writes Canute James

Fearful of being injured by the fall-out from the 'Great Banana War' between the US and the European Union, Caribbean producers have been thrown into confusion by the timing, and the perceived motive, of Washington's attack on their preferential access to the European market.

A US government statement, clarifying its position, has not mollified regional banana producers. If it is Washington's intention to attack the EU banana import regime, the Caribbean producers contend, then inevitably it represents an attack on the banana market on which many small Caribbean economies depend.

There is a growing belief in the region that Washington is acting out of concerns that range from the banana trade and the complaint lodged with the US Trade Representative's office by US banana producers. Caribbean producers are further confused about the perceived haste in Washington. They claim that the trade representative harshly attacked the EU's banana import

arrangement before a promised meeting between the US government and Caribbean producers to discuss the matter.

Responding to complaints from Chiquita Brands International, which produces bananas in Latin America, and the producers association in Hawaii, that the 20-month-old EU import arrangement discriminated against US producers, Mr Mickey Kantor, the US trade representative, concluded that the claims were justified. He has threatened retaliation.

In its statement clarifying its position, which was issued through its embassy in Barbados, the US said it "understands that Caribbean banana producers need preferential access to the European market". Caribbean government officials say Mr Kantor told them and placed for this group to meet "the statement said.

The focus of the US trade representative's investigation was the European Union's banana regime, and consequently "Caribbean countries are in no way targeted by this investigation", the statement said.

Washington was also concerned that Colombian and

Police in St Lucia were put on alert yesterday after disaffected banana farmers announced an indefinite strike, writes Canute James. The growers say they are protesting at the government's refusal to discuss the management of the industry and to share with them details of a new marketing contract.

St Lucia is the largest producer among the four Windward Islands of the eastern Caribbean, which account for about two thirds of the bananas consumed in Britain. A similar strike late last year cost the industry "millions of dollars", according to officials. In calling the strike, the dissident Banana Salvation Committee told its members not to reap any fruit for export.

"Due to past activities involving the blocking of roads and the burning of sheds and destruction of farmers' crops, police have been put on full alert," said a statement from the prime minister's office.

lined in the terms of reference of the technical working group. "The U.S. government is developing information to respond to Caribbean concerns and hopes to be able to work out soon a mutually convenient time and place for this group to meet," the statement said.

The focus of the US trade representative's investigation was the European Union's banana regime, and consequently "Caribbean countries are in no way targeted by this investigation", the statement said.

Washington was also concerned that Colombian and

which allows our preferential access to the EU market," says Mr Marshall Hall, chief executive of the Producers Group, which markets Jamaican bananas in Europe.

"With the Gatt waiver which was granted the Lomé Convention, the EU felt it was implementing a treaty not inconsistent with Gatt. We find the attitude of the US peculiar. Section 301 of the US Trade Act, under which the trade representative acted, is to protect US firms and their employees. But no US firms grow bananas in the United States."

Chiquita Brands made a strategic error, Mr Hall contends. "They guessed wrongly that our preferences would not be maintained, and they told the Latin Americans to increase production. Last year was a good one for Latin American bananas, that is why other producers such as Dole are not joining Chiquita in complaining as Dole is doing very well."

The Caribbean exporters' worst fear is that they will lose market share in Europe to more competitive Latin American "dollar" fruit. If the US

action results in a change in the EU import arrangement, they say, then preferential access for Caribbean fruit will be reduced.

Several Caribbean governments, mainly in the Windward Islands, which produce most of the bananas consumed in Britain, have sent letters to Washington complaining of the Trade Representative's plan to retaliate against European imports.

The US government and the Caribbean exporters agreed in December to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

"That the US has acted before the promised meeting leads us to believe that there is much more than bananas involved," says an official in the Caribbean Community secretariat. "The haste in which the US trade representative acted leads us to believe that the argument over bananas was a convenient tool in dealing with some other matters."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp Metal Trading)

ALUMINIUM, 99.99% (per tonne)

Cash 3 months

Close 1904.5 1904.5-30.0

Previous 1898.5-1902.5

High/Low 1904.5-1902.5

AM Official 1917.10 1917.10-40.5

Karb close 225.334

Open int. 65.932

Total daily turnover 65,932

ALUMINIUM ALLOY (per tonne)

Close 1875.05 1875.05-20

Previous 1855.55 1855.55-20

High/Low 1875.05 1875.05-20

AM Official 1870.00 1870.00-20

Karb close 2.782

Open int. 548

Total daily turnover 548

LEAD (per tonne)

Close 583.84 583.84-20

Previous 581.80 581.80-20

High/Low 583.84 583.84-20

AM Official 580.00 580.00-20

Karb close 38.825

Open int. 6.499

Total daily turnover 6,499

NICKEL (per tonne)

Close 9400-10 9400-55

Previous 9330-40 9330-40

High/Low 9400-10 9400-55

AM Official 9430-40 9430-40

Karb close 56.400

Open int. 9.712

Total daily turnover 9,712

TIN (per tonne)

Close 5520-30 5520-15

Previous 5500-30 5500-30

High/Low 5520-30 5520-15

AM Official 5510-30 5510-30

Karb close 20.882

Open int. 3.886

Total daily turnover 3,886

ZINC, special High Grade (per tonne)

Close 1040-41 1040-45

Previous 1034-38 1034-38

High/Low 1040-41 1040-45

AM Official 1040-41 1040-45

Karb close 102.056

Open int. 19.048

Total daily turnover 19,048

COPPER, grade A (per tonne)

Close 2894.85 2894.85

Previous 2880.91 2880.91

High/Low 2894.85 2894.85

AM Official 2890.00 2890.00

Karb close 232.602

Open int. 39.212

Total daily turnover 39,212

LAME AM Official 249.178 249.178

LAME Closing 275.185 275.185

Spot 1.2829 3 mths 1.2829 6 mths 1.2746

1994 GRADE COPPER (COMEX)

Close 275.185 275.185

Previous 275.185 275.185

High/Low 275.185 275.185

AM Official 275.185 275.185

Karb close 51.311

Open int. 8.882

Total daily turnover 8,882

Precious Metals continued

GOLD COMEX (100 Troy oz; \$ per oz)

Feb 378.2 378.2-378.2 378.2 14

Mar 378.2 378.2-378.2 378.2 22

Apr 378.2 378.2-378.2 378.2 29.05

May 378.2 378.2-378.2 378.2 30.1

Jun 378.2 378.2-378.2 378.2 210

Jul 378.2 378.2-378.2 378.2 4.081

Aug 378.2 378.2-378.2 378.2 34.98

Sep 378.2 378.2-378.2 378.2 34.98

Oct 378.2 378.2-378.2 378.2 34.98

Nov 378.2 378.2-378.2 378.2 34.98

Dec 378.2 378.2-378.2 378.2 34.98

Total 378.2 378.2-378.2 378.2 34.98

PLATINUM NYMEX (50 Troy oz; \$ per oz)

Apr 413.3 413.3-413.3 413.3 1.807

May 413.3 413.3-413.3 413.3 1.807

Jun 413.3 413.3-413.3 413.3 1.807

Jul 413.3 413.3-413.3 413.3 1.807

Aug 413.3 413.3-413.3 413.3 1.807

Sep 413.3 413.3-413.3 413.3 1.807

Oct 413.3 413.3-413.3 413.3 1.807

Nov 413.3 413.3-413.3 413.3 1.807

Dec 413.3 413.3-413.3 413.3 1.807

Total 413.3 413.3-413.3 413.3 1.807

PALLADIUM NYMEX (100 Troy oz; \$ per oz)

Mar 157.30 157.30-157.30 157.30 3.96

Apr 157.30 157.30-157.30 157.30 3.96

May 157.30 157.30-157.30 157.30 3.96

Jun 157.30 157.30-157.30 157.30 3.96

Jul 157.30 157.30-157.30 157.30 3.96

Aug 157.30 157.30-157.30 157.30 3.96

Sep 157.30 157.30-157.30 157.30 3.96

Oct 157.30 157.30-157.30 157.30 3.96

Nov 157.30 157.30-157.30 157.30 3.96

Dec 157.30 157.30-157.30 157.30 3.96

Total 157.30 157.30-157.30 157.30 3.96

SILVER COMEX (100 Troy oz; \$ per oz)

Feb 473.4 473.4-473.4 473.4 23.10

Mar 473.4 473.4-473.4 473.4 23.10

Apr 473.4 473.4-473.4 473.4 23.10

May 473.4 473.4-473.4 473.4 23.10

Jun 473.4 473.4-473.4 473.4 23.10

Jul 473.4 473.4-473.4 473.4 23.10

Aug 473.4 473.4-473.4 473.4 23.10

Sep 473.4 473.4-473.4 473.4 23.10

Oct 473.4 473.4-473.4 473.4 23.10

Nov 473.4 473.4-473.4 473.4 23.10

Dec 473.4 473.4-473.4 473.4 23.10

Total 473.4 473.4-473.4 473.4 23.10

ENERGY

CRUDE OIL NYMEX (42,000 US gal; \$ per barrel)

Mar 18.86 18.86-18.86 18.86 34.44

Apr 18.86 18.86-18.86 18.86 34.44

May 18.86 18.86-18.86 18.86 34.44

Jun 18.86 18.86-18.86 18.86 34.44

Jul 18.86 18.86-18.86 18.86 34.44

Aug 18.86 18.86-18.86 18.86 34.44

Sep 18.86 18.86-18.86 18.86 34.44

Oct 18.86 18.86-18.86 18.86 34.44

Nov 18.86 18.86-18.86 18.86 34.44

Dec 18.86 18.86-18.86 18.86 34.44

Total 18.86 18.86-18.86 18.86 34.44

CRUDE OIL ICE (per barrel)

Mar 18.86 18.86-18.86 18.86 34.44

Apr 18.86 18.86-18.86 18.86 34.44

May 18.86 18.86-18.86 18.86 34.44

Jun 18.86 18.86-18.86 18.86 34.44

Jul 18.86 18.86-18.86 18.86 34.44

GRAINS AND OIL SEEDS

WHEAT LCE (per bushel)

Mar 104.30 104.30-104.30 104.30 178

Apr 104.30 104.30-104.30 104.30 178

May 104.30 104.30-104.30 104.30 178

Jun 104.30 104.30-104.30 104.30 178

Jul 104.30 104.30-104.30 104.30 178

Aug 104.30 104.30-104.30 104.30 178

Sep 104.30 104.30-104.30 104.30 178

Oct 104.30 104.30-104.30 104.30 178

Nov 104.30 104.30-104.30 104.30 178

Dec 104.30 104.30-104.30 104.30 178

Total 104.30 104.30-104.30 104.30 178

WHEAT CBT (per bushel)

Mar 30.4 30.4-30.4 30.4 4.791

Apr 30.4 30.4-30.4 30.4 4.791

May 30.4 30.4-30.4 30.4 4.791

Jun 30.4 30.4-30.4 30.4 4.791

Jul 30.4 30.4-30.4 30.4 4.791

INTERNATIONAL CAPITAL MARKETS

Italian prices fall sharply on inflation fears

By Graham Bowley in London
and Lisa Bransford in New York

Italian government bond prices turned sharply downwards yesterday after figures were released showing a marked increase in the rate of inflation.

Uncertainty surrounding the Dini government's mini-budget further undermined confidence, with dealers fearing that tax rises in the budget could add to inflationary pressures.

"The near-term inflation risk in Italy is mounting, which points to central bank interest rate hikes sooner rather than later," said Mr Ken Wattret, international economist at HSBC Greenwell.

The yield spread on Italian bonds over German bunds wid-

ened from 485 basis points to 508 points.

The March futures contract on Liffe fell by 0.52 points to 98.90.

Other European government bonds also fell, under-performing US Treasuries.

German bunds dropped after comments by the Bundesbank in its monthly bulletin that domestic price risks are rising.

Strong producer price data and uncertainty over the IG Metall wage talks also weighed on prices.

"Until we see further developments the bond market will remain vulnerable to bad news on the strike talks," said Mr Wattret.

The March bund futures contract on Liffe was down 0.21 to 90.45 in late trading, Mr Kiril

Shah, at First Chicago, said it could fall to 90.20 or even lower over coming days.

UK gilt prices fell in line with the rest of Europe, with some nervousness ahead of today's auction of £2bn of 10-year bonds.

GOVERNMENT BONDS

There was little reaction in prices to the announcement by the UK Treasury of the introduction of an open market in gilt sale and repurchase agreements in January 1996.

Dealers welcomed the announcement and the move to allow gilt interest payments gross of tax, with tax paid quarterly in arrears.

The yield spread over bunds widened to 142 basis points. The long gilt future on Liffe was down 1/8 to 101 1/8 in late trading.

French government bonds fell, with the yield spread over bunds widening by about 3 basis points to 61 points.

A new poll showing a further fall in prime minister Edouard Balladur's standing hit confidence.

Ms Mary Bloem, bond strategist at Paribas Capital Markets, said the yield spread over bunds could widen to 66 basis points if Mr Raymond Barre, the former centrist prime minister, enters the presidential election race.

The March futures contract on Matif settled at 111.62, down 0.45.

US Treasury prices were flat to lower yesterday morning as traders waited for signals about inflation and monetary policy expected to come from Congressional testimony today.

At midday the benchmark 30-year Treasury was down 1/8 at 100 1/8 to yield 7.50 per cent. At the short end of the market, the two-year note was unchanged at 100 1/8, yielding 7.04 per cent.

Mr Greenspan has been consistent in highlighting data showing price pressures at intermediate levels in the economy, and traders are waiting to see if he will give signals in his twice-yearly Humphrey-Hawkins testimony to Congress that he believes them to be easing.

Many Wall Street economists still believe the Fed will tighten monetary policy at least once more this year - probably next month.

However, stock and bond investors have pushed those markets up, betting that inflation is under control without another rate increase, and late on Friday, Mr Alan Blinder, vice-chairman of the Fed, pointed to recent data he said suggest the economy may be slowing.

One factor putting pressure on the bond market was the dollar's continued slide against the D-Mark.

In morning trading the currency weakened to DM1.4769 from DM1.4820 late on Friday. The dollar gained some ground against the yen, however, rising to ¥97.34 from ¥97.15.

Depfa Bank raises DM1bn through five-year offering

By Martin Brice

Dollar bond issuance largely stayed on hold in the euro-markets yesterday, partly due to the lack of opportunities for borrowers to swap liabilities.

Attention moved to other currencies, with the D-Mark and sterling areas busy.

The biggest deal was the five-year DM1bn for Depfa Bank, which used Commerzbank for the fourth consecutive time to bring a deal.

Commerzbank was joint bookrunner with WestLB and each bank was believed to have sold around DM100m of the bonds. Commerzbank expects all the bonds to go before the first coupon date in four weeks.

Depfa's treasurer, said demand came from French and UK institutions, and from retail investors in the Benelux region.

He said domestic interest in the D-Mark market was not

strong but international interest had grown, partly due to emerging market troubles which have given the D-Mark a "safe haven" status.

The bonds carry a coupon of 7 1/2 per cent, and Mr Reuhlend said part of the funds were swapped, which gave the bank

overall funding from the deal of "below Lihor". The bonds came at 28 basis points over the comparable five-year bond, and were steady around that when freed to trade.

Caisse des Dépôts chalked up a first when it lead-managed its first D-Mark deal, a DM500-million five-year transaction carrying a 7 per cent coupon for Crédit Local de France.

CDC was joint bookrunner, with WestLB.

The deal offered a lower coupon than the Depfa deal, and

came at a higher price. However, Crédit Local is rated AAA, whereas Depfa is Aa3.

CDC was awarded the mandate yesterday and had a series of large pre-orders from UK and French investors attracted by the rating. It brought the deal at 20 basis points over the comparable five-year bond because similar deals for KfW and L-Bank were trading around 17 or 18 over. "A spread tighter than 20 would have been dangerous," it said.

Investors in the sterling sector were offered two long-dated deals, each for £100m. The Bank of Ireland brought a 10-year deal with a 9 1/2 per cent coupon via BZW, which said it was oversubscribed within an hour of launch.

A Bank of Ireland official said the funds would be used to maintain capital adequacy ratios affected by both a small US acquisition and the amortisation of subordinated debt. The bank's year-end is March

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner		
US DOLLARS									
Ambac Securities Co. (a) (b)	100	4.125	100.00	Mar 1998	2.25		Nomura International		
US DOLLARS									
STERLING									
De Beers Securities (France) (a)	100	3.75	98.40	Dec 2000	0.825	+155 (94-95)	Hambros Bank		
Bank of Ireland	100	3.75	98.40	Mar 2000	0.825	+155 (94-95)	Barclays de Zotte Weid		
D-MARK									
De Beers Securities (France) (a)	100	3.75	98.40	Dec 2000	0.825	+155 (94-95)	Hambros Bank		
Bank of Ireland	100	3.75	98.40	Mar 2000	0.825	+155 (94-95)	Barclays de Zotte Weid		
SWISS FRANCES									
De Beers Securities (France) (a)	100	3.75	98.40	Dec 2000	0.825	+155 (94-95)	Hambros Bank		
Bank of Ireland	100	3.75	98.40	Mar 2000	0.825	+155 (94-95)	Barclays de Zotte Weid		
LUIGIENBURG FRANCES									
De Beers Securities (France) (a)	100	3.75	98.40	Dec 2000	0.825	+155 (94-95)	Hambros Bank		
Bank of Ireland	100	3.75	98.40	Mar 2000	0.825	+155 (94-95)	Barclays de Zotte Weid		

Final terms, non-callable unless stated. Yield spread over relevant government bonds at launch supplied by lead manager. +Unlimited. (a) With equity warrants. (b) Annual coupon. (c) Fixed re-offer price; fees shown at re-offer level. (d) Rating: 20/20/20. (e) Short 1st coupon. (f) Long 1st coupon.

31. Under Bank for International Settlements rules, when a subordinated issue is within five years of its final maturity, the amount qualifying as capital is reduced by 30 per cent each year to maturity.

A Bank of Ireland official said the funds would be used to maintain capital adequacy ratios affected by both a small US acquisition and the amortisation of subordinated debt. The bank's year-end is March

the deal augmented a £150m 15-year bond brought in February, which came at 185 over the gilt and tightened in to 150.

Some investors in that bond were looking to buy longer-dated paper, and De Beers was looking to raise a total of £200m.

The yield curve on gilts fell by 13 basis points between the 15-year and 25-year area, and Hambros wanted to put a yield on the new bond which was

flat to the previous issue, so it brought the deal at 165 over the gilt.

Syndicate was broken overnight in Tokyo on the Kingdom of Spain's ¥150m 10-year bond brought on Monday by IBJ. The bonds were brought

at a yield of 12 basis points over the No 177 Japanese government bond and held that level when freed to trade. IBJ said further sales were made in Tokyo after London closed.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Yield	Week Ago	Month Ago
Australia	9.000	09/04	98.000	10.18	10.20	10.30
Austria	7.500	01/05	98.800	10.20	7.87	7.88
Belgium	7.750	01/04	98.100	10.20	8.33	8.38
Canada	9.000	12/04	103.850	6.86	6.86	6.45
Denmark	7.000	12/04	97.850	10.30	8.80	8.89
France	8.000	05/08	101.000	10.50	7.80	7.27
Germany	7.500	04/05	98.700	10.20	8.05	8.01
Italy	7.250	04/05	98.500	10.20	7.44	7.45
Japan	4.500	01/05	98.100	10.70	11.89	12.16
Netherlands	4.500	06/08	103.850	6.86	6.86	6.45
Portugal	8.000	09/04	97.800	10.20	7.57	7.58
Spain	8.000	09/04	97.800	10.20	7.57	7.58
Sweden	8.000	09/04	97.800	10.20	7.57	7.58
UK Gilts	8.000	09/04	97.800	10.20	7.57	7.58
US Treasury	7.500	05/08	101.000	10.50	7.80	7.27
ECU (French Govt)	7.500	05/08	101.000	10.50	7.80	7.27
London (local)	7.500	05/08	101.000	10.50	7.80	7.27

Source: Reuters International

US INTEREST RATES

	Rate	Yield	Week Ago	Month Ago
Prime rate	5.50	5.50	5.50	5.50
90-day T-bill	5.50	5.50	5.50	5.50
3-month T-bill	5.50	5.50	5.50	5.50
6-month T-bill	5.50	5.50	5.50	5.50
1-year T-bill	5.50	5.50	5.50	5.50

BOND FUTURES AND OPTIONS

FRANCE

NATIONAL FRENCH BOND FUTURES (MATIF)

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	111.90	111.82	-0.08	111.90	111.54	132,292	148,222
Jun	111.06	110.78	-0.44	111.06	110.70	9,206	16,994
Sep	110.36	110.10	-0.42	110.36	110.28	2	3,748

LONG TERM FRENCH BOND OPTIONS (MATIF)

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	111.90	111.82	-0.08	111.90	111.54	132,292	148,222
Jun	111.06	110.78	-0.44	111.06	110.70	9,206	16,994
Sep	110.36	110.10	-0.42	110.36	110.28	2	3,748

GERMANY

NATIONAL GERMAN BOND FUTURES (LIFFE) DM250,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	90.64	90.45	-0.21	90.64	90.38	113,082	191,125
Jun	90.12	89.94	-0.16	90.12	89.88	14,991	25,757

UK GILTS PRICES

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	90.64	90.45	-0.21	90.64	90.38	113,082	191,125
Jun	90.12	89.94	-0.16	90.12	89.88	14,991	25,757

EURO FUTURES OPTIONS (LIFFE) DM250,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	90.64	90.45	-0.21	90.64	90.38	113,082	191,125
Jun	90.12	89.94	-0.16	90.12	89.88	14,991	25,757

ITALY

NATIONAL ITALIAN GOVT. BOND (BTF) FUTURES (LIFFE) Lira 200m 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	98.80	98.90	-0.02	98.80	98.81	50,070	48,890
Jun	98.40	98.44	-0.04	98.40	98.40	11,004	38,844

ITALIAN GOVT. BOND (BTF) FUTURES OPTIONS (LIFFE) Lira 200m 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	98.80	98.90	-0.02	98.80	98.81	50,070	48,890
Jun	98.40	98.44	-0.04	98.40	98.40	11,004	38,844

SPAIN

NATIONAL SPANISH BOND FUTURES (MEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	95.00	94.90	-0.13	95.00	94.81	33,592	53,373
Jun	94.35	94.47	-0.05	94.45	94.35	341	1,442

UK

NATIONAL UK GILT FUTURES (LIFFE) £50,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	101.06	101.01	-0.10	101.09	100.90	40,793	88,617
Jun	101.14	101.08	-0.08	101.14	101.08	5,080	49,491

LONG TERM UK GILT FUTURES (LIFFE) £50,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	101.06	101.01	-0.10	101.09	100.90	40,793	88,617
Jun	101.14	101.08	-0.08	101.14	101.08	5,080	49,491

ECU

EURO BOND FUTURES (MATIF)

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	90.64	90.45	-0.21	90.64	90.38	113,082	191,125
Jun	90.12	89.94	-0.16	90.12	89.88	14,991	25,757

US

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	102.15	102.14	-0.03	102.18	102.11	521,128	328,286
Jun	102.00	101.90	-0.03	102.01	101.87	19,252	54,681
Sep	101.15	101.19	-0.06	101.20	101.15	1,857	6,432

JAPAN

NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	100.50	100.40	-0.10	100.50	100.35	2854	0
Jun	100.50	100.40	-0.10	100.50	100.35	2854	0

OTHER FIXED INTEREST

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	90.64	90.45	-0.21	90.64	90.38	113,082	191,125
Jun	90.12	89.94	-0.16	90.12	89.88	14,991	25,757

FT-ACTUARIES FIXED INTEREST INDICES

FT-ACTUARIES FIXED INTEREST INDICES				
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Lira sinks toward L1,100 level against D-Mark

But the dominant market

■ Poured in New York		
Feb 21	— Last —	— Prev. close —
2 spot	1.5820	1.5805
1 mth	1.5814	1.5799
3 mth	1.5801	1.5786
1 yr	1.5772	1.5805

■ The outlook for the dollar remains bearish. Traders report that the general direction of people establishing new positions on the dollar is to set

The focus today will shift to the Humphrey-Hawkins testimony of Mr Alan Greenspan, the chairman of the Federal Reserve. Best expectations are that he will strike a hawkish

Mr Christopher Tinker, chief economist at Standard Chartered in London, said the authorities appeared to be giving the markets a clear signal to take the process forward. He warned that if the authorities

Feb 21	£	\$
Hungary	180.726	180.941
Iran	2758.00	2762.00
Israel	0.4707	0.4710
Poland	3.8158	3.8199
Russia	6916.40	6921.80
U.A.E.	5.8048	5.8074

week ago - 4.25 4.812 5.125 5.687

ECU Linked 24 mtd rates: 1 mtd: 5 1/4; 3 mtd: 6 1/4; 6 mtd: 6 3/4; 1 year: 6 3/4. LIBOR Interbank rates are offered rates for \$10m quoted to the market by four reference banks at 11am each working day. The banks are: Citibank Ltd, Bank of Tokyo, Barclays and National Westminster. Bid rates are given for the domestic Money Rates, US \$ CDs and GDR Linked Deposits (2%.

EURO CURRENCY INTEREST RATES

Feb 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4
Danish Krone	8 1/4 - 0	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4	5 1/2 - 5 3/4
D-Mark	4 1/4 - 4 1/4	4 1/4 - 4 1/4	5 - 5 1/2	5 1/2 - 4 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2
Dutch Guilder	5 - 4 1/2	6 - 4 1/2	5 - 4 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2
French Franc	5 1/2 - 6 1/4	5 1/2 - 5 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2	5 1/2 - 5 1/2
Portuguese Esc.	8 1/2 - 8 1/2	9 - 8 1/2	8 1/2 - 8	10 1/2 - 10	10 1/2 - 10 1/2	10 1/2 - 10 1/2

DOLLAR SPOT FORWARD AGAINST THE DOLLAR											
Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's high low	One month %/PA	Three months %/PA	One year %/PA	J.P. Margin		
Europe											
Austria	(Sch)	10.0005	+0.0054	180 - 290	10.0500 10.0000	10.41	1.2	10.2695	1.4	105.9	
Belgium	(Bfr)	30.0000	+0.1453	690 - 945	30.0000 30.3620	30.4575	0.9	30.4105	0.6	30.2453	0.8
Denmark	(DKr)	6.8444	+0.0059	495 - 495	6.8625 6.8125	6.8425	0.4	6.8394	0.3	6.8314	0.2
Finland	(Fmk)	12.5710	-0.0047	891 - 735	12.5135 12.5230	12.5092	0.7	12.5354	0.6	12.5355	0.4
France	(FFr)	6.1540	+0.0026	535 - 545	6.1835 6.1233	6.1517	0.5	6.1495	0.4	6.1365	0.3
Germany	(DM)	1.4768	+0.0057	735 - 795	1.4895 1.4722	1.4751	1.0	1.4753	1.1	1.4611	1.3
Greece	(Dr)	233.430	+1.185	390 - 480	236.300 232.100	235.203	-12.3	240.188	+11.8	255.430	+10.7
Ireland	(IrL)	1.3745	-0.0021	797 - 735	1.3750 1.3750	1.3751	-0.4	1.3749	0.5	1.3713	0.2
Italy	(Lit)	1916.08	+0.16	500 - 500	1921.50 1907.50	1916.25	-2.4	1903.50	-2.7	1871.08	-0.8
Luxembourg	(Lfr)	30.0000	+0.1453	690 - 945	30.0000 30.3620	30.4575	0.9	30.4105	0.6	30.2453	0.8
Netherlands	(F)	1.8590	+0.0071	550 - 560	1.8692 1.8516	1.8577	1.0	1.8544	1.1	1.8333	1.2
Norway	(Nkr)	5.6103	+0.0033	690 - 113	5.6326 5.6260	5.6248	1.4	5.6025	0.7	5.4876	0.7
Portugal	(Esc)	200.480	+0.0000	100 - 100	200.480 200.480	200.355	0.5	200.480	0.5	198.950	0.5
Spain	(Pta)	126.420	+0.0071	350 - 480	129.630 126.630	126.895	-2.1	126.923	-2.5	126.02	-2.9
Sweden	(Skr)	7.2198	+0.0286	145 - 245	7.2551 7.2794	7.23	1.3	7.2516	-1.7	7.4433	-1.7
Switzerland	(Sfr)	1.2500	+0.0040	502 - 510	1.2570 1.2447	1.2482	0.3	1.2434	0.3	1.2304	0.4
UK	£	1.5820	-0.0009	680 - 811	1.5837 1.5739	1.5803	0.5	1.5791	0.5	1.5697	0.7
US	\$	1.2668	-0.0009	680 - 685	1.2735 1.2642	1.2686	-0.2	1.27	-0.3	1.2671	-0.1
YOK	¥	148.010					-2.2				

	Open	Sell price	Change	High	Low	Est. vol	Open int
Mar	93.98	93.92	-0.06	93.99	93.91	27,423	49,409
Jun	93.48			93.49	93.38	35,181	47,893
Sep	93.08		-0.11	93.17	92.95	8,466	0
Dec	92.85	92.81	-0.10	92.88	92.77	4,186	19,823

■ **THREE MONTH EURO DOLLAR (LIBF)* \$1m points of 100%**

	Open	Sell price	Change	High	Low	Est. vol	Open int
Mar		93.16	-			0	1564
Jun	93.17	93.18	+0.02	93.17	93.17	10	555
Sep		92.85	-0.02			0	0
Dec		92.83	+0.01			0	270

■ **THREE MONTH SWEDEN MARK FUTURES (LHFF)* DM1m points of 100%**

	Open	Sell price	Change	High	Low	Est. vol	Open int
Mar	93.98	93.92	-0.06	93.99	93.91	27,423	49,409
Jun	93.48			93.49	93.38	35,181	47,893
Sep	93.08		-0.11	93.17	92.95	8,466	0
Dec	92.85	92.81	-0.10	92.88	92.77	4,186	19,823

Americas												
Argentina	(Peso)	1.0001	-0.0001	000 - 001	1.0007	1.0002	-	-	-	-	-	-
Brazil	(R\$)	0.0415	+0.0011	410 - 420	0.0820	0.0810	-	-	-	-	-	-
Canada	(C\$)	0.5887	+0.0007	584 - 585	0.6038	0.6015	1.4014	-2.5	1.4071	-2.4	1.4227	-1.7
Mexico	(New Pesos)	5.4050	-0.2445	800 - 803	5.4500	5.3840	5.4058	-0.2	5.4082	-0.1	5.4076	0.0
USA	(US\$)	-	-	-	-	-	-	-	-	-	-	95.7
Pacific/Northeast Asia/Europe												
Australia	(A\$)	1.3484	-0.0070	481 - 490	1.3660	1.3481	1.3502	-1.8	1.3548	-1.9	1.3796	-2.3
Hong Kong	(HK\$)	7.7393	-0.0007	728 - 730	7.7327	7.7322	7.7314	-0.2	7.7321	-0.1	7.7373	-0.1
Japan	(¥)	31.3626	+0.0126	775 - 675	31.4000	31.3725	31.4626	-1	31.7075	-4.1	-	-
Israel	(₪)	3.0087	-0.0005	080 - 113	3.0263	3.0021	-	-	-	-	-	-
Japan	(¥)	97.4280	+0.5	000	97.8800	97.8800	97.125	3.7	96.486	3.9	93.22	4.3
South Korea	(₩)	2.5558	-0.0012	534 - 544	2.5550	2.5528	2.2519	0.9	2.5474	0.8	2.5311	0.4
New Zealand	(NZ\$)	1.6747	-0.0007	741 - 753	1.6819	1.6714	1.5773	-2.9	1.6840	-2.4	1.6814	-2.5
Philippines	(P\$)	25.2320	+0.004	800 - 803	25.2600	25.2600	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7870	-0.0001	501 - 504	3.7504	3.7501	3.7529	-0.8	3.7592	-0.6	3.7678	-0.6
Singapore	(S\$)	1.4934	+0.0009	828 - 838	1.4540	1.4516	1.4484	4.1	1.443	2.8	1.4198	2.3
S Africa (Cen)	(R)	3.6603	+0.0285	866 - 810	3.5610	3.5390	3.5736	0.6	3.5065	-5.4	3.7776	-3.2
Taiwan (Fin)	(NT\$)	1.9470	-0.0001	945 - 946	1.9490	1.9486	1.9475	-0.3	1.9475	-0.3	1.9475	-0.3
South Korea	(₩)	788.750	+1.5	700 - 800	790.6700	787.100	791.76	0.6	795.25	-3.3	817.70	-3.2
Taiwan	(NT\$)	26.3563	-0.01	345 - 380	26.3936	26.3545	26.3763	-0.8	26.4163	-0.9	-	-
Thailand	(฿)	24.9600	-0.01	400 - 460	24.9750	24.9400	24.9625	-0.8	24.9785	-0.4	25.0025	-0.2

YBRI rate for Feb 17. Bid/offer spreads in the Dollar Spot table show only the last three bid/offer quotations. Forward rates are not strictly spot/spot on the market but are implied by January interest rates. UK interest & ECUs are shown in US currency. J.C. Morgan's London Index Feb 17. ERM average 1980-1992

	Mar	Jun	Sep	Dec	Open	Sell price	Change	High	Low	Est. vol.	Open int
Mar	94.86	94.04	-0.03	94.88	94.64	15434	189037				
Jun	94.60	94.44	-0.08	94.51	94.49	16449	189037				
Sep	94.03	94.03	-	94.11	94.01	35174	11616				
Dec	93.71	93.63	-0.09	93.71	93.62	20596	98025				
■ THREE MONTH KURULSHA INT.RATE FUTURES (LIFE) L1000m points of 100%											
	Mar	Jun	Sep	Dec	Open	Sell price	Change	High	Low	Est. vol.	Open int
Mar	90.88	90.67	-0.17	90.86	90.65	955	33394				
Jun	90.04	89.86	-0.16	89.88	89.93	12908	32702				
Sep	89.60	89.44	-0.15	89.62	89.44	2206	28650				
Dec	89.31	89.14	-0.17	89.31	89.10	768	14896				
■ THREE MONTH EURO SWISS FRANC FUTURES (LIFE) SFrmn points of 100%											
	Mar	Jun	Sep	Dec	Open	Sell price	Change	High	Low	Est. vol.	Open Int
Mar	96.99	96.01	-	96.05	95.99	3894	18817				
Jun	96.05	95.66	-0.04	95.76	95.63	2568	17384				
Sep	95.11	95.06	-0.04	95.12	95.07	1769	9851				
Dec	95.11	95.08	-0.03	95.12	95.07	597	6232				
■ THREE MONTH EUR CHF FUTURES (LIFE) Ecmr points of 100%											
	Mar	Jun	Sep	Dec	Open	Sell price	Change	High	Low	Est. vol.	Open int
Mar	93.79	93.76	-0.04	93.79	93.73	1433	9692				
Jun	93.28	93.24	-0.06	93.29	93.22	1165	731				
Sep	92.80	92.75	-0.04	92.80	92.73	351	5881				
Dec	92.38	92.29	-0.04	92.38	92.23	382	1971				

C	CS	0	Y	EXCH
0.076	4.688	3.261	318.8	2.580
0.082	2.963	1.711	188.7	1.351
2.227	2.714	1.940	189.0	1.532
0.498	0.945	0.578	65.84	0.594
0.988	2.202	1.576	183.4	1.243
0.039	0.087	0.082	8.030	0.048
0.381	0.843	0.603	68.71	0.478
1.972	2.148	1.538	148.7	1.213
0.919	0.911	0.892	83.46	0.814
0.484	1.081	0.773	73.31	0.810
0.894	1.911	1.268	133.1	1.079
0.500	1.116	0.800	77.80	0.831
2.211	1.581	1.640	1248	1
0.452	1	0.715	89.85	0.584
0.833	1.298	1	87.41	0.789
0.640	1.438	1.027	100	0.910
0.901	1.772	1.267	123.4	1

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US \$ per Yen 100				
High	Low	Est. vol	Open int.	
1.0320	1.0298	44,491	79,878	
1.0426	1.0400	1,551	8,059	
1.0635	1.0328	329	759	

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0.0050	-3.40	10.70	
0.0219	-3.08	10.85	-1
0.00738	0.17	8.70	-2
0.00056	0.38	6.65	-4
-0.00054	1.38	5.48	-10




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	PUTS		
	Mar	Apr	May
50	-	0.11	0.36
60	-	0.39	0.73
70	0.23	0.85	1.48
80	0.68	1.82	2.50
90	2.57	3.36	3.90
04	4.76	5.28	5.68

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93.68	93.85	48,468	398,091		
93.21	93.17	91,310	416,473		
92.88	92.89	84,018	275,363		

1m per 100%			
94.27	94.25	932	0,774
93.79	93.75	899	11,443
93.44	93.44	188	0,576

Points of 100%					
PUTS					
Jan	Mar	Apr	May	Jun	
0.05	0.33	0.36	0.37		
0.2	1.17	0.98	0.57	0.36	
0.1	0.41	0.81	0.81	0.82	

% open int. Calls 177013 Puts 248608
91% 1m points of 100%

1m per 100%		
PUTS	CALLS	2m
0.05	0.33	0.36
0.2	1.17	0.98
0.1	0.41	0.81

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	Performance Investment Fund Ltd	100	100
	Private Asset Management Fund Ltd	100	100
	Prospect Asset Management (UK) Ltd	100	100
	Prospect Fund Management Ltd	100	100
	Pulsar Investment Funds Ltd	100	100
	Pulsar European Ltd	100	100
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	Pulsar Strategic Ltd	100	100
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	Pulsar US Ltd	100	100
	Pulsar Asia Ltd	100	100
	Pulsar Europe Ltd	100	100
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INDICES

	Feb 21	Feb 20	Feb 17	1994/5	
				High	Low
Argentina S&P 500 (2/17/94)	1240.27	1271.57	1267.04	1267.04	1267.04
Australia All Ordinaries (1/18/94)	1853.0	1852.1	1852.1	1852.1	1852.1
Canada S&P 500 (2/17/94)	322.8	321.8	321.8	321.8	321.8
Denmark Copenhagen (1/18/94)	303.60	303.67	303.67	303.67	303.67
Finland HEX 100 (1/18/94)	137.37	137.37	137.37	137.37	137.37
France CAC 40 (1/18/94)	137.37	137.37	137.37	137.37	137.37
Germany DAX (1/18/94)	137.37	137.37	137.37	137.37	137.37
Greece ASEX 100 (1/18/94)	137.37	137.37	137.37	137.37	137.37
Hong Kong Hang Seng (1/18/94)	8022.29	7905.74	8021.01	12,914.99	10,104.1
India S&P 500 (2/17/94)	322.8	321.8	321.8	321.8	321.8
Indonesia Jakarta Comp (1/18/94)	456.83	454.03	454.14	612.89	511.94
Israel Tel Aviv 100 (1/18/94)	182.75	182.66	182.66	202.76	171.04
Italy FTSE 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Japan Tokyo (1/18/94)	1402.34	1365.57	1400.81	1722.23	1356.04
Korea KOSPI 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Malaysia KLSE Comp (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Mexico IPC (1/18/94)	1768.14	1830.47	2061.17	3294.1	2120.5
Netherlands AEX 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
New Zealand NZSE 100 (1/18/94)	422.4	422.4	422.4	422.4	422.4
Philippines PSE 100 (1/18/94)	271.4	271.4	271.4	271.4	271.4
Poland WIG 100 (1/18/94)	182.10	180.16	199.73	2494.4	2094.4
Portugal BVLX 100 (1/18/94)	106.10	116.70	112.82	121.10	202.94
Saudi Arabia TASI 100 (1/18/94)	260.36	260.36	260.36	3308.27	274.04
South Africa JSE 100 (1/18/94)	274.0	274.0	274.0	274.0	274.0
Spain IBEX 35 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Sweden OMX 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Switzerland S&P 500 (2/17/94)	137.37	137.37	137.37	3,981.7	3,891.7
Taiwan TSE 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
Thailand SET 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
UK FTSE 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
US Dow Jones Ind. Avg. (1/18/94)	10034.1	10034.1	10034.1	29,426.2	27,791.4
US S&P 500 (2/17/94)	322.8	321.8	321.8	321.8	321.8
US NASDAQ 100 (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7
US NYSE Composite (1/18/94)	137.37	137.37	137.37	3,981.7	3,891.7

INDEX FUTURES

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40								
Feb	1800.0	1815.0	+7.0	1817.0	1797.0	22,880	29,256	
Mar	1800.5	1822.5	+4.0	1822.5	1804.0	3,249	23,892	
■ DAX								
Mar	2106.0	2106.0	-3.0	2115.5	2098.0	13,682		
Jun	2125.0	2125.0	-4.0	2134.0	2120.0	263		

■ EURO-30

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	1172.0	1172.25	+2.25	1176.00	1165.00	6,475	14,337	
Mar	1177.00	1165.75	-2.25	1164.00	1161.50	4,242	11,400	

■ S&P 500

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	2611.0	2617.0	+10.1	2625.0	2603.2	4,256	12,871	
Mar	2611.00	2625.00	+4.00	2626.0	2615.5	32	580	

■ NYSE

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	1172.0	1172.25	+2.25	1176.00	1165.00	6,475	14,337	
Mar	1177.00	1165.75	-2.25	1164.00	1161.50	4,242	11,400	

■ NASDAQ

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	1800.0	1815.0	+7.0	1817.0	1797.0	22,880	29,256	
Mar	1800.5	1822.5	+4.0	1822.5	1804.0	3,249	23,892	

■ NYSE

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	1172.0	1172.25	+2.25	1176.00	1165.00	6,475	14,337	
Mar	1177.00	1165.75	-2.25	1164.00	1161.50	4,242	11,400	

■ NASDAQ

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Feb	1800.0	1815.0	+7.0	1817.0	1797.0	22,880	29,256	
Mar	1800.5	1822.5	+4.0	1822.5	1804.0	3,249	23,892	

US INDICES

	Feb 18	Feb 15	Feb 12	1994/5	
				High	Low
Dow Jones	10034.1	10034.1	10034.1	29,426.2	27,791.4
Industrials	3953.54	3957.52	3955.17	3957.52	3953.35
Health	94.3	94.0	93.1	108.91	107.77
Transport	1568.81	1571.94	1573.84	1571.94	1562.2
Utilities	19.71	19.24	19.34	22.08	17.94
Oil	22.12	22.12	22.12	22.12	22.12
Chemicals	10.1	10.1	10.1	10.1	10.1
Food	10.1	10.1	10.1	10.1	10.1
Metals	10.1	10.1	10.1	10.1	10.1
Textiles	10.1	10.1	10.1	10.1	10.1
Pharmaceuticals	10.1	10.1	10.1	10.1	10.1
Technology	10.1	10.1	10.1	10.1	10.1
Telecommunications	10.1	10.1	10.1	10.1	10.1
Energy	10.1	10.1	10.1	10.1	10.1
Real Estate	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1	10.1	10.1	10.1
Options	10.1	10.1	10.1	10.1	10.1
Derivatives	10.1	10.1	10.1	10.1	10.1
Fixed Income	10.1	10.1	10.1	10.1	10.1
Equities	10.1	10.1	10.1	10.1	10.1
Commodities	10.1	10.1			

TNI	1.82	+2.60	2.70	1.99	--	--	30000	Baidu	31%	-1/2	32% 27%	Reports will be sent on the next trading day, subject to availability.
Yubcorp	2.06	--	2.02	2.30	--	--	7300	Chefco	61%	-1/4	59 1/4 65 1/4	

IN TOKYO - MOST ACTIVE STOCKS: Tuesday, February 21, 1985

Stocks	Closing	Change	Stocks	Closing	Change
Traded	Prices	on day	Traded	Prices	on day

The bull and bear necessities.		No FT, no comment.		on day		
Hachijuni Bnk	9.6m	1190	+20	Nip Yusen	3.7m	572
Sumitomo Const	7.2m	708	+6	Higashi Nip Bnk	3.8m	771

Fudo Corp.	4.5m	1060	-10	Yamaha Motor	3.4m	780
Nip Steel	4.1m	845	+1	NPOK	3.3m	266
Joyo Steel	3.8m	785	+15	NEC	3.1m	971

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AMERICA

Tobaccos fall in wake of lawsuit news

Wall Street

The major US stock indices shrugged off declines in bond and currency markets to post modest gains yesterday morning, writes Lisa Branstetter in New York.

At 1pm the Dow Jones Industrial Average was up 9.76 at 3,963.30. The Standard & Poor's 500 had climbed 0.85 to 482.82 and the American Stock Exchange composite was up 0.38 to 447.59. The Nasdaq composite lost 1.30 at 785.87. Trading volume on the NYSE came to 182m shares.

In morning trading the dollar continued to fall against the D-Mark, and the long bond was off an eighth of a point, yielding 7.593. The dollar did rise modestly against the Japanese yen.

Uncertainty about monetary policy also added pressure. Last week the market set new records as company earnings came in generally better than expected and traders suggested that weak economic data might deter the Federal Reserve from raising interest rates again in the short term.

Mr Alan Greenspan, chairman of the Fed, was expected to address such issues in congressional testimony on monetary policy objectives to be delivered today.

Tobacco companies declined on the first day of trading after news that two lawsuits threatened the cigarette industry, on Friday a Louisiana judge cleared the way for a class action suit against the US tobacco companies and, yesterday, Florida filed suit, seeking damages from cigarette manufacturers for medical expenses incurred by the state in treating smoking-related illnesses.

Philip Morris lost 3 1/2% at \$58 and RJR Nabisco 5 1/4% at \$57. News of nabisco and acquisitions affected the prices of several stocks. Shawmut National jumped 2 1/2 per cent, rising \$4 1/2 to \$25, after Fleet Financial announced that it would buy the Boston-based bank for \$3.7bn or \$30 a share. Fleet Financial dropped 3 1/2% to \$30 1/2 on the news.

US Shoe lost 1 1/4% at \$19 1/4 and Nine West was ahead 1/4% at \$28 after the two companies announced that they had ended negotiations for Nine West to buy US Shoe's foot-wear business.

In earnings-related activity, Home Depot shed 1 1/4% to \$46 1/2 after the chain of home improvement stores reported fourth-quarter earnings of 32 cents per share versus analysts' expectations of 33 cents per share. Ann Taylor also reported earnings, of 35 cents per share, just one cent per share below analysts' expectations, but firmed 1/4% to \$32 1/2.

Canada

Toronto stocks continued to ease at midday, with bond-driven gains in several sectors offset by sharply weaker gold shares. The TSE 300 index declined 5.6 to 4,010.1 in volume of 27.29m shares valued at C\$324.37m.

The precious metals index fell 11.16 to 8,758.53. Barrick Gold dropped 6 1/2% to C\$30 1/2 in 475,230 shares traded, while Placer Dome lost C\$3 1/2 at C\$27 1/2 in 584,978.

Elsewhere, strength in Canadian bonds and a stable domestic dollar spurred gains in eight of Toronto's 14 sub-indicators for the overall, declines outpaced advances by 369 to 235, with 296 issues unchanged.

Mexico, Brazil easier

Mexican stocks were slightly easier in light early trade following news that the \$20bn US credit package had been approved.

The IPC index was off 14.73 at 1,751.41 in turnover of 11.4m pesos.

Equities were still being affected by Monday's announcement of a rise in short-term interest rates.

Telmex L shares declined 2.9 per cent on arbitrage trading, while the ADRs in New York had gained 3/4% at \$30 1/4.

SAO PAULO was down 1.3 per cent in volatile midday trade as a lack of fresh funds entering the market squeezed liquidity and prompted speculative selling. The Bovespa index lost 397 at 20,183 in turnover of R\$113.5m (\$134.8m).

EUROPE

Milan shaken by higher than expected inflation

An upbeat Wall Street morning seemed to do little for bourses, some of which seemed preoccupied with their own concerns, writes Our Markets Staff.

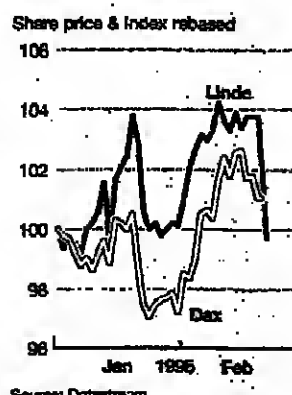
MILAN was shaken by higher than expected inflation data for February and a weak lira. The Comit Index dipped 12.51 or 2 per cent to 611.80, while the real-time Mibtel index lost 168 at 10,282.

The market showed little reaction to an announcement from the government that the mini-budget might be ready for publication by Friday at the latest.

Among the banks, Bonifiche Siele again bucked the trend, adding L335 at L34,350, following the bid by Banca di Roma, off L20 at L1,800. Banca Nazionale dell'Agricoltura, the Bonifiche subsidiary, recovered L113 to L2,517.

Elsewhere, Fiat declined L130 to L3,335. Olivetti fell L7 to L1,330 and Pirelli shed L57 to L2,270. In telecoms, Telecom Italia dipped L132 to L2,355 and Stet L113 to L4,580.

FRANKFURT lost a few points in the morning, the Dax index closing 4.50 lower on the session at 2,097.04 as dealers balanced the currency effect on export earnings with a lack of



Share price & index rebound

pressure on the sell side. In the afternoon there was a short uptick, the Dax indicated Dax peaking at 2,107.25 on an improving dollar, the hope that Wall Street would open higher, and a little short-covering. But the recovery was fragile, and the index ended 0.16 easier at 2,101.82. Turnover increased from DM4.1bn to DM5.3bn.

There was only one big corporate story on the day. Linde, one of Europe's biggest producers of warehouse lift trucks, dropped DM42 or 4.5 per cent to DM82 on the session after its announcement of a one-

for-five rights issue. Ms Barbara Altmann at B Metzler in Frankfurt said the rights issue was a big surprise, and that Linde was not cheap on a 1995 p/e ratio of 21.2, compared with a 17.2 average for Dax constituents.

PARIS closed the February account with a slight gain, and above the 1,300 level, having been as low as 1,287 during the session. The CAC-40 index improved 3.38 to 1,305.62 in turnover of some FF46m.

The market's mood was clouded by a new opinion poll which showed that presidential election support for Mr Edouard Balladur, the prime minister, had fallen sharply. Mr Balladur's credibility had been affected following his admission at the weekend that his office had authorised telephone tapping.

Among the main stocks, Seita was again the most heavily traded as institutions sought to build up positions, but the shares finished unchanged at FF133.

Among second liners, Filippacci Medias, the publisher, tumbled nearly 8 per cent, by FF65 to FF772, after a broker's downgrade. AMSTERDAM fielded satis-

FT-SE Actuaries Share Indices

Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Feb 14
FT-SE Actuaries 100	1310.72	1306.98	1308.49	1308.08	1308.08
FT-SE Actuaries 200	1364.85	1364.84	1364.26	1364.05	1362.73
FT-SE Actuaries 300	1364.85	1364.84	1364.26	1364.05	1362.73

factory results from Unilever, Polygram and Océ-van der Grinten, but dropped the share prices of all three as the AEX index rose 0.09 to 410.12.

Unilever, initially unsettled by a large write-off for its controversial Persil/Omo Power detergent range, fell FL1.60 to FL96.80, missing the recovery in London later which saw the figures as solid, satisfactory and unexciting.

Polygram, the Philips subsidiary, fell 30 cents to FL84 on profit-taking following its 20 per cent rise in profits, while Océ, the photocopier group, lost 90 cents at FL96.10 for the same reason, the impact of a 45 per cent rise in profits dented by an unchanged dividend.

ZURICH saw Roche certificates up SFr50 to SFr6,800 on foreign buying at the same time as UBS bearers rose SFr6

a mild buy rather than an aggressive one, citing possible lower aluminium prices in the second half of 1995 as a reason for its downgrading.

ISTANBUL continued to rally, mainly on buying by domestic institutions. The composite index ended at a new all-time high of 29,149.32, up 119.26, although turnover shrank to TL5,700bn from TL7,800bn.

There appeared to be two main reasons for the market's drive ahead over the last 10 sessions. said Mr Stuart Harley of Schroders in London: first, interest rates were beginning to be reduced; and secondly, there was confidence that inflation would fall this year. The market could encounter a problem breaking through the 30,000 barrier, he added.

WARSAW tumbled in high volume in a nervous reaction to the central bank's increase in official interest rates, the discount rate from 26 to 31 per cent and the Lombard from 31 to 34 per cent. The Wig index fell 322.4 or 4.9 per cent to 6,277.2 as turnover jumped by 133 per cent to 49.4m zlotys.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Hong Kong rebounds 2.2% on hopes for land auction

Equities in Hong Kong rebounded from Monday's fall as optimism grew about the outcome of today's land sale, while fears also receded about the possible consequences of the weekend arrest of the head of the Shougang group.

The Hang Seng index rose 175.55 or 2.2 per cent to 8,082.29, erasing Monday's 136-point loss. Turnover increased to HK\$2.9bn from HK\$2.07bn.

Most investors were reassured that the Shougang affair would not affect other Chinese-related companies after the Beijing authorities clarified the position, saying that Mr Zhou Bofang had been detained for questions to do with his personal, rather than corporate, affairs.

Shougang group shares resumed trading, having been suspended for one session. Shougang Concord International and Shougang Grand declined 13 cents apiece to HK\$1.55 and HK\$1.15.

Five lots of government land were to be auctioned today and analysts said they expected a good response from developers, compared with recent auctions where some plots had been withdrawn because of a lack of interest.

In the real estate sector, SHK Properties put on HK\$1.30 at HK\$49, Cheung Kong HK\$1.30 at HK\$32.20 and Henderson Land HK\$2.30 at HK\$38.50.

Tokyo

Arbitrage linked buying helped share prices, and the Nikkei 225 average recovered to close above the 15,000 level, writes Emiko Terazono in Tokyo.

The index improved 139.77 to 15,096.25 after a day's low of 14,946.57 and high of 15,194.50. Stock prices, which gained as

small-lot buying orders and index-linked purchases propped the Nikkei in the morning, saw further support in the afternoon on arbitrage buying.

Volume rose to 341m shares, from 277m, on cross trading, or the selling and buying back of holdings to realise profits, by corporate investors. Aside from such trading and arbitrage activity, most investors remained on the sidelines, concerned about fluctuations in the currency market.

Prospects of stable earnings for all first session stocks firmed 6.67 to 1,402.24 and the Nikkei 300 picked up 1.35 to 257.56. Rises fell by 576 to 404, with 201 issues unchanged. In London the ISE/Nikkei 50 index edged up 2.72 to 1,145.57.

Although arbitrage buying was a positive influence on the day, traders remained jittery over the increase in long cash arbitrage positions against stock index futures, totalling 1.4m shares last week. "The market will be vulnerable to swings on the futures market," said a Japanese broker.

High-technology stocks, which had been sold off last week, regained ground. Sony advanced Y30 to Y4,430 and TDK by Y60 to Y4,080. Heavy electricals were also higher, with NEC up Y7 to Y331.

Regional banks were active on cross trading. Hachijuni Bank, the most active issue of the day, rose Y20 to Y1,190, Joyo Bank edged Y15 to Y785 and Higashi Nippon Bank remained at Y771.

Prospects of stable earnings supported drug companies. Takeda Chemical Industries climbed Y30 to Y1,160 and Sankyo Y60 to Y2,330.

Privatisation stocks were mixed. Nippon Telegraph and Telephone moved ahead Y4,000

to Y715,000 while Japan Tobacco lost Y3,000 at Y84,000. East Japan Railway gained Y10,000 at Y48,000.

Construction shares were sold, with the sector losing 0.19 on the day. Daisei Construction, the Osaka based contractor which rallied following last month's earthquake, retreated Y16 to Y618 and Ando fell Y19 to Y566. Fudo Construction dipped Y10 to Y1,050.

In Osaka, the OSE average moved up \$2.26 to 19,639.32 in volume of 123.8m shares. Exporters were bought back with Rohm appreciating Y70 to Y3,420 and Murata Manufacturing Y70 to Y3,070.

Roundup

A mixture of performances characterised the region's markets yesterday. KUALA LUMPUR recorded 1.6

per cent in what traders described as a technical correction from recent high levels. The composite index shed 15.40 to 971.10 in turnover down to M\$762.9m from M\$1,458m.

Tanaka National relinquished 10 cents at M\$10 and Genting 90 cents at M\$22.50.

SINGAPORE was unsettled by renewed selling of blue chips in light trading. The Straits Times Industrial Index fell 11.64 to 2,105.14, in volume estimated at 130m shares.

Brokers said declines in shipbuilders led the market lower. Kappel lost 20 cents at S\$11.10, while Sembawang Shipyard eased 10 cents to S\$10.30 and Far East Levittage receded 20 cents to S\$6.10.

Property issues remained weak as retail investors unwound long positions due to worries over the prospects for the sector. Singapore Land fell

40 cents to S\$3.10 and DBS Land lost 4 cents at S\$3.64. KOMBAY saw a combination of sustained selling pressure from retail investors and a lack of support from local mutual funds, and the BSE 30-share index dropped 75.90 or 2.36 per cent to a 52-week low of 3,280.83. Early in the day, dealers had also blamed selling by Unit Trust of India, the country's biggest mutual fund, for the weakness in the market.

BSE jobbers also raised their spreads in selective shares to gain a temporary respite from the selling pressure.

COLOMBO continued its downward career, still talking about the next support level of 750 as the all-share index fell 16.35 or 1.8 per cent to 811.61. Turnover expanded from Rs25.28m to Rs47.20m.

Domestic institutions, selective buyers of fundamentally strong situations, were more heavily on the selling side as they rationalised their portfolios ahead of March 31. BANGKOK was subjected to light profit-taking in leaders and some buying interest in small-capitalisation stocks as the SET index shed 8.68 to 1,288.31 in moderate turnover of Bt4.45m.

TelecomAsia, which topped the active list, pulled the index with a fall of Bt2 to Bt8.50 in 5.3m shares dealt. A tranche of 25m, originally offered to staff at Bt10 a share, was admitted to trading yesterday.

WELLINGTON's NZSE 40 index fell 7.54 to 1,982.91 after weakness in leading forestry stocks. Carter Holt Harvey slipping 8 cents to NZ\$3.50 with some large parcels traded, and Fletcher Challenge losing 3 cents at NZ\$3.90 in advance of today's interim report.

MARKETS IN PERSPECTIVE

	% change in local currency			% change in US \$	% change in US \$	% change in US \$
	1 Week	4 Weeks	1 Year	Start of 1984	Start of 1984	Start of 1984
Austria	+2.47	-0.54	-18.06	-17.73	-9.95	-4.07
Belgium	-0.22	-0.49	-11.02	-9.94	-0.21	-6.30
Denmark	-1.44	+1.64	-15.81	-8.99	-1.09	-4.36
Finland	-1.88	-3.59	+2.12	+21.17	+42.48	+51.78
France	-2.27	+1.14	-19.25	-17.97	-12.20	-6.47
Germany	-0.37	-2.68	-3.81	-8.04	-0.38	+6.11
Ireland	+0.04	+3.64	-0.85	+4.33	+7.78	+15.88
Italy	-2.50	-1.36	-2.85	+8.95	+8.08	+15.98
Netherlands	-0.82	+1.22	-0.87	-2.79	-0.88	+13.11
Norway	-2.83	-0.90	-6.84	+3.48	+11.83	+18.81
Spain	-1.98	-1.81	-18.37	-12.97	-9.91	-4.03
Sweden	-1.78	-0.97	-0.85	+9.17	+16.29	+23.88
Switzerland	-1.31	+0.85	-13.91	-10.37	-0.75	+5.74
UK	-1.89	+1.46	-11.85	-10.87	-10.87	-10.87
EUROPE	-1.60	+1.29	-10.82	-9.17	-4.90	+1.42
Australia	+0.71	-0.86	-14.55	-12.15	-10.41	-4.56
Hong Kong	+0.83	+12.57	-25.30	-33.33	-37.44	-33.25
Japan	-1.81	-3.92	-9.37	-3.34	-3.86	+10.63
Malaysia	+2.55	+17.55	-5.79	-20.25	-21.03	-15.87
New Zealand	+2.05	+2.17	-8.84	-4.22	+1.29	+7.91
Singapore	+2.41	+6.04	-7.27	-13.84	-10.24	-4.39
Canada	-0.18	-0.21	-2.70	-1.53	-13.09	-7.42
USA	+0.08	-3.78	+3.20	+3.95	-2.41	+3.95
Mexico	-7.10	-11.47	-30.85	-25.85	-82.97	-60.56
South Africa	-2.46	-5.74	+2.41	+2.63	+8.25	+13.18
WORLD INDEX	-0.92	+0.74	-8.17	-4.03	-3.67	+2.82

1 Based on February 17, 1995. Copyright: The Financial Times Limited, Goldman, Sachs & Co. and Reuters Securities Limited.

S Africa slips from day's highs

Equities closed off the day's highs after a quiet session during which there were reports that the country's dual exchange rate system could soon be abolished.

Mr Chris Stals, governor of the Reserve Bank, said that the abolition of the financial

rand was now in the hands of the country's politicians.

A percentage point rise in interest rates to 14 per cent had been discounted. The overall index lost a net 5.9 at 5,101.8, industrials gained 10.2 at 5,261.9 and the gold shares index shed 14.4 to 1,566.6.

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